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In the Supreme Court of the United States

ACUSHNET COMPANY,
Petitioner,

v.

CALLAWAY GOLF COMPANY,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

This case epitomizes how the Federal Circuit incorrectly reviews jury verdicts on the ultimate legal issue of patent validity under 35 U.S.C. § 103(a). The district court treated the jury's § 103 verdicts as factual findings, holding only "that substantial evidence supports the jury's verdict of nonobviousness." The Federal Circuit upheld the jury's § 103 verdicts solely because "substantial evidence" supported an implicit finding that one claim limitation was not in the prior art. The legal issue, however, was whether the asserted claims would have been obvious to one of ordinary skill *despite* that one difference with the prior art. By reviewing the verdicts only for substantial evidence, no court ever independently addressed or decided the ultimate legal question.

Thus, the following questions are presented:

1. Whether this Court should make clear that no single finding on any of its underlying *Graham* factors is dispositive of the ultimate legal conclusion on invalidity, such that a court reviewing a jury's § 103 verdicts must always independently render its own legal conclusion regardless of whether one or all of the jury's underlying findings are accepted as adequately supported by the evidence?

2. Whether this Court should instruct that a jury's § 103 verdict necessarily identifies the jury's implicit findings on the disputed underlying factual issues litigated at trial, but is entirely advisory as to the ultimate legal conclusion on invalidity?

PARTIES TO THE PROCEEDING

Pursuant to Rule 14.1(b), the parties here and in the proceeding in the U.S. Court of Appeals for the Federal Circuit are listed.

Petitioner here and Defendant-Appellant below is Acushnet Company.

Respondent here and Plaintiff-Appellee below is Callaway Golf Company.

RULE 29.6 CORPORATE DISCLOSURE STATEMENT

Acushnet Company is a wholly-owned subsidiary of its parent, Fortune Brands, Inc., which is a publicly held company.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Acushnet Company ("Petitioner" or "Acushnet") respectfully petitions for a writ of certiorari to review the decision of the United States Court of Appeals for the Federal Circuit holding that Acushnet was not entitled to judgment as a matter of law ("JMOL") that eight asserted claims of four related patents-in-suit were invalid for obviousness under 35 U.S.C. § 103(a). After upholding those jury verdicts, the Federal Circuit separately remanded the case for a new trial due to irreconcilable jury verdicts, which would have been avoided by a proper grant of JMOL. Only the issues concerning the proper judicial review of a jury's § 103 verdicts are implicated by this petition.

OPINIONS BELOW

The Federal Circuit's opinion (App. 1a-36a) is reported at 576 F.3d 1331. The Federal Circuit's order denying Petitioners' petition for rehearing and rehearing en banc (App. 91a-93a) is unreported. The district court's order resolving the post-trial motions is at App. 37a-38a, its judgment is at App. 39a, and its injunction order is at App. 40a-43a. The district court's memorandum opinion (App. 44a-90a) is reported at 523 F. Supp. 2d 388.

JURISDICTION

The Federal Circuit's judgment was entered on August 14, 2009. App. 3a. A timely combined petition for rehearing and for rehearing *en banc* was denied on October 6, 2009. App. 57a-59a. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

This case concerns the proper methodology for judicial review in a patent case where a jury returns verdicts on the legal issue of patentability set forth in 35 U.S.C. § 103(a), as reproduced at App. 94a.

STATEMENT OF THE CASE

A. Introductory Statement

In *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966), this Court held that "the ultimate question of patent validity is one of law" while recognizing

that "the § 103 condition ... lends itself to several basic factual inquiries."

> Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.

383 U.S. at 17-18. In *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 407 (2007), this Court reiterated the *Graham* "framework" and emphasized that its factors "continue to define the inquiry that controls."

About 20 years after *Graham*, this Court reminded the Federal Circuit to honor the delineation under § 103 between the ultimate legal issue and the underlying factual determinations. In *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809, 811 (1986), this Court vacated a Federal Circuit decision that had reversed a holding of obviousness after a bench trial, noting that a district court's subsidiary factual determinations "at the least, ought to be subject to [Fed. R. Civ. P. 52(a)]" and expressly requesting "the Federal Circuit's informed opinion on the complex issue of the degree to which the obviousness determination is one of fact."

On remand, then-Chief Judge Markey recited his court's understanding of how to differentiate between the legal and factual aspects of the § 103 inquiry. *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561 (Fed. Cir. 1987). The Federal Circuit explained that "[a] § 103 determination involves fact and law" but held that the ultimate "obviousness-nonobvious" question is one of law:

> With the involved facts determined, the decision-maker confronts a ghost, *i.e.*, "a person of ordinary skill in the art." ... In light of *all* the evidence, the decisionmaker must then determine whether the patent challenger has convincingly established ... that the claimed invention would have been obvious at *that* time to *that* person. ... The answer to that question partakes more of the nature of law than of fact, for it is an ultimate conclusion based on a foundation formed of all the probative facts. If itself a fact, it would be part of its own foundation.

810 F.2d at 1566. Moreover, the Federal Circuit agreed that this Court's holding in *Graham* that "the ultimate question of patent validity is one of law" was rightly interpreted as meaning "that one answering the § 103 question is drawing a legal conclusion." 810 F.2d at 1567.

> Like all legal conclusions, that under § 103 rests on a factual evidentiary foundation. As said in *Graham*, 383 U.S. at 17, the question is determined "against" the "background" of answers to factual inquiries—a description of

> how legal questions are normally determined. One effect of considering the § 103 question one of law in this court is to facilitate a consistent application of that statute in the courts and in the Patent and Trademark Office (PTO).

Id. at 1567. Nevertheless, the Federal Circuit's later decisions have increasingly failed to adhere to the proper division between "factual issues" and "legal conclusions" when reviewing § 103 judgments, particularly in jury cases.

In 1995, the Federal Circuit upheld a right to a jury in a declaratory judgment action to determine patent validity. *In re Lockwood*, 50 F.3d 966 (Fed. Cir.), *vacated*, 515 U.S. 1182 (1995). Dissenting from the denial of rehearing *en banc*, Judge Nies questioned the jury's role after this Court's holding in *Graham* that obviousness is an issue of law.

> [*En*] *banc* efforts to clarify the issue have been unsuccessful, as this case itself illustrates. ... Thus, this court invokes the standard of review applicable to the ultimate issue of fact or an ultimate issue of fact mixed with law and applies it to an ultimate issue of law.

See 50 F.3d at 988-89 (Nies, J., dissenting) (footnote omitted). Although this Court granted certiorari in *Lockwood*, the petition was dismissed after Lockwood withdrew his jury demand. See *In re Technology Licensing Corp.*, 423 F.3d 1286, 1288 & n.1 (Fed. Cir. 2005).

Unlike the "right to a jury" issue in *Lockwood*, this petition challenges how the Federal Circuit (or a district court) reviews jury verdicts that decide only the ultimate § 103 issue. However, Judge Nies' dissent in *Lockwood* remains pertinent because she had already recognized that the Federal Circuit's approach to reviewing such verdicts was in disarray:

> Some panel opinions speak of *de novo* review after accepting the presumed findings of fact. Others reject the *de novo* standard. Still others conflate the standard to whether a "reasonable" jury could reach the verdict it rendered.

50 F.3d at 989 (citations omitted). Since then, the Federal Circuit has not resolved that fundamental conflict on its own, and the confusion and inconsistency within its § 103 precedent has become even more pronounced and irreconcilable.

Now, over 20 years after *Dennison*, the Federal Circuit needs more than a reminder to follow *Graham*, it needs explicit guidance on how to do so in jury cases. As the Federal Circuit stated in *Panduit*, "[t]he decisional process en route to a § 103 conclusion involves more than the fact inquiries in *Graham*." 810 F.2d at 1567. Yet, the Federal Circuit's recent § 103 decisions erroneously conflate the jury's implicit findings on the *Graham* inquiries into the ultimate legal conclusion. If the court holds that substantial evidence supports the jury's implicit finding on a disputed factual issue, then the jury's verdict on the ultimate legal conclusion is simply affirmed. Regardless of how the jury decided the

§ 103 issue, that truncated review cannot be the extent of the proper judicial inquiry.

Unlike in *KSR*, where the Federal Circuit had unduly raised the bar for proving invalidity under § 103, see 550 U.S. at 419, the questions here apply to every patent jury case involving § 103, no matter which outcome is reached. Today, more patent cases are being tried to juries, and virtually every such case involves an assertion of invalidity under § 103. Moreover, these issues apply equally to reviews of jury verdicts by district courts and by the Federal Circuit.

At best, the Federal Circuit's inconsistent approaches have created confusion and uncertainty for litigants, district courts, and its own panels in discerning how jury verdicts under § 103 are to be reviewed. At worst, as in this case, the Federal Circuit's abbreviated review of § 103 verdicts only for "substantial evidence" eliminates the independent judicial determination of the ultimate question of validity under § 103 required by this Court's precedent. The time is overdue for this Court to review this fundamentally incorrect approach.

B. The Relevant Golf Ball Technology

1. The Accused Golf Balls

Petitioner Acushnet is a Massachusetts-based golf equipment manufacturer that has designed and sold professional quality golf balls since 1932. For decades, Acushnet's Titleist® brand golf balls have been known as "The No. 1 Ball in Golf." Acushnet's

accused products are its Pro V1, Pro V1*, and Pro V1x golf balls (collectively, "the Pro V1 ball") which were its latest offerings in the Titleist® line of high-quality golf balls.

First introduced in 2000, Acushnet's Pro V1 balls have a "three-piece" construction, consisting of a solid core and two cover layers. The inner cover is a relatively hard blend of ionomers, while the outer cover is a soft, castable polyurethane independently developed and patented by Acushnet. See infra. Since being introduced, Acushnet's Pro V1 balls have achieved an unprecedented combination of great distance off the tee and soft "feel" around the greens. See App. 46a-47a.

2. The Asserted Patent Claims

Respondent Callaway is a California-based golf equipment manufacturer. In 2000, Callaway introduced its first golf ball, called the "Rule 35" ball. In 2003, Callaway acquired the "Sullivan" patents-in-suit[1] by purchasing the assets of Spalding Sports Worldwide, Inc., a bankrupt golf company that was the original assignee. Before purchasing the patents, Callaway had refused to take a license under them, asserting that the '293 patent was invalid.

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[1] The four related patents-in-suit and the asserted claims are identified at App. 3a n.1. Because the Federal Circuit held that a new trial was required on all asserted claims due to irreconcilable jury verdicts, those claims are patentably indistinct for purposes of this petition. See App. 24a-29a.

The four patents-in-suit have essentially the same specifications and relate to multi-layer golf balls that use polyurethane as the outer cover. The earliest patent, the '293 patent, did not issue until after Acushnet's Pro V1 ball was introduced, so Acushnet independently developed its products without knowledge of the patents-in-suit. The other three patents-in-suit were not even filed until after the Pro V1's introduction. All of the patents-in-suit issued from continuation applications based on a 1995 Sullivan application, which was itself a continuation-in-part of an earlier 1993 application. However, Sullivan's 1993 application did not disclose a low-acid ionomer inner cover or a cast polyurethane outer cover.

All of the asserted claims have limitations directed to a three-piece golf ball having a core, an inner cover made of a low-acid ionomer or ionomer blend with a Shore D hardness of 60 or more, and a polyurethane outer cover with a Shore D hardness of 64 or less. App. 4a-6a & n.2. "Shore D hardness" refers to a hardness standard published by the American Society for Testing and Materials. App. 6a. Claim 1 of the '293 patent is representative, and is reproduced at App. 5a. See also App. 47a-51a.

While Callaway repeatedly mischaracterized the patents-in-suit throughout trial as disclosing the particular features that enabled the success of Acushnet's Pro V1 ball, the patents and their claims contain no such teachings. Instead, the asserted claims cover virtually every conceivable combination of prior art cores, cover thicknesses, and polyurethane outer covers that could fit within a

regulation-sized golf ball. On their face, therefore, nothing in the asserted claims reveals whether or how any particular combination within the claimed ranges of golf ball components might achieve unexpected results or be a commercially acceptable ball.

3. The Prior Art

Three-piece golf balls (*i.e.*, a core and two cover layers) had been known in the art since the 1980's. For example, the Nesbitt patent describes a ball having a core, a hard inner cover of a low-acid ionomer, and a soft outer cover made of a soft ionomer. See App. 29a-30a. Similarly, the Proudfit patent taught a three-piece ball with a core, an ionomer-blend inner cover, and a relatively soft balata outer cover. App. 9a n.3. Proudfit's assignee sold an Ultra Tour Balata ("UTB") ball which embodied the patent. Both the Proudfit patent and the UTB ball met every limitation of the asserted claims except the polyurethane cover. In that regard, the Molitor '751 patent taught using a polyurethane cover on either two-piece or three-piece golf balls like Nesbitt or Proudfit. *Id.*

By the mid-1990's, golf ball covers were primarily balata, balata blends, ionomers, or polyurethane. Skilled golfers preferred balata covers for its desirable "spin" and "feel" properties, but balata was not durable and cut easily. Ionomer resins were a synthetic substitute for balata and had better cut resistance, but ionomers lacked balata's "spin" and "feel" characteristics. Polyurethane was a soft, flexible material used on golf ball covers since

the mid-1970's, but had difficulties in manufacturing and durability.

That changed in 1994, when Acushnet introduced the Titleist® Professional ball, which used a new cast polyurethane cover instead of balata. In August 1994, a patent issued to an Acushnet research chemist, Dr. Wu, disclosing the castable polyurethane material used on the Professional ball and teaching that this improved polyurethane could replace both balata and ionomer covers on golf balls. Wu's polyurethane material, made from a slow-reacting curative, was significantly more durable than prior polyurethanes and could be cast (as opposed to injection or compression molded) into a very thin cover layer.

Using Wu's castable polyurethane cover, the Titleist® Professional ball quickly became the most favored ball on the PGA Tour. Today, Acushnet's Pro V1 balls still use Wu's castable polyurethane for its outer cover. After Sullivan read Wu's patent, he experimented with castable polyurethane covers. In November 1995, Spalding filed Sullivan's continuation-in-part application adding castable polyurethane as new matter. Spalding's application recognized, as taught by Wu, that polyurethane was a useful substitute for ionomer and balata covers.

Indeed, after the Wu patent issued, four different golf ball manufacturers—Acushnet, Spalding, Callaway, and Nike/Bridgestone—independently took the obvious step of trying such castable polyurethane as a cover for multi-layer balls like Proudfit and Nesbitt. Acushnet's Pro V1 ball

succeeded. Callaway's Rule 35 ball, although accused of infringing the patents-in-suit, was discontinued by 2003. Spalding, Sullivan's employer, never achieved a successful ball and eventually went bankrupt. However, while Sullivan never made a successful ball, he realized that golf ball designs would change after Acushnet's introduction of castable polyurethane.

While Acushnet was independently developing its Pro V1 ball using Wu's polyurethane material, Sullivan amended his pending patent application to incorporate castable polyurethane covers to encompass whatever future polyurethane-covered ball might eventually be achieved. The resulting claims covered virtually every combination of standard golf ball components together with polyurethane outer covers that were possible within a regulation golf ball without disclosing which combination might be successful. Such overbreadth and failure to distinguish the prior art should have been fatal to validity.

Sullivan's invention notebook revealed that his purpose had been to design a ball "generally equivalent to [Nesbitt]" but using newer materials unavailable to Nesbitt. In essence, Sullivan claimed what he hoped to do but never achieved. Even if he had, however, the substitution of newer, previously-unavailable, and improved materials into existing designs (such as using the polyurethane disclosed by Wu as the outer cover of Nesbitt's prior art ball) is the type of routine and predictable development that this Court specifically instructed in *KSR* is not patentable. See 550 U.S. at 421.

C. The District Court Proceedings

Callaway filed this suit on February 9, 2006. App. 45a. On November 20, 2007, the district court issued its claim construction ruling, granted Callaway's summary judgment motion of no anticipation, and denied Acushnet's summary judgment motion of invalidity for anticipation and obviousness. App. 45a. Due to the breadth of the asserted claims, which effectively covered any three-piece golf ball with a polyurethane outer cover, Acushnet stipulated to infringement. App. 45a. The district court then bifurcated damages from liability. App. 10a.

1. The Trial

Obviousness was tried to a jury starting on December 3, 2007. Under *Graham*, the four factual inquiries underlying the obviousness question are the level of ordinary skill in the art, the scope and content of the prior art, the differences between the claimed invention and the prior art, and any relevant secondary considerations. See 383 U.S. at 17. Here, most of those factual issues were not disputed.

The level of ordinary skill in the art was undisputed. Acushnet's expert testified that such person had experience in golf ball and/or cover design, generally understood ball materials and construction, and knew the relevant prior art. Callaway offered no contrary definition, and neither party raised that issue post-trial.

The scope and content of the prior art was also undisputed. The jury was instructed that the relevant art included: (1) the Nesbitt patent, (2) the Molitor '751 patent, (3) the Molitor '637 patent, (4) the Proudfit patent, (5) the Wu patent, (6) the Professional ball, and (7) the UTB ball. Acushnet's invalidity position was that the asserted claims would have been obvious in view of the three-piece balata ball of the Proudfit patent or the UTB ball together with polyurethane cover taught by Molitor '751 and/or Wu.

The only disputed factual issues concerned an alleged difference between the claimed invention and the prior art, and whether there was a motivation to combine the cited references. To have some difference to advance before the jury, Callaway argued that no prior art disclosed a polyurethane outer cover on a golf ball that was below Shore D 64 hardness. App. 16a-20a. However, Callaway most heavily relied on alleged "secondary considerations" based on Acushnet's own commercial success and unexpected results achieved by the specific design that Acushnet developed and introduced in the accused Pro V1 ball.

Because Acushnet had conceded infringement, Callaway's strategy was to equate Acushnet's Pro V1 balls to the claimed invention, insisting before the jury that the asserted claims taught the "right combination" from amid the infinite "unpredictable" claimed combinations. On their face, however, the asserted claims did no such thing; they contain no limitations to any unique, unexpected, or critical performance criteria that could possibly distinguish

the prior art. The misleading nature of Callaway's trial presentation made it even more critical that the reviewing courts independently reviewed the § 103 question as one of law.

2. The Denial Of JMOL Post-Trial

On December 14, 2007, the jury returned interrogatories holding dependent claim 5 of the '293 patent invalid as obvious, but holding that the other eight asserted claims were not proven invalid. App. 10a. The district court recognized that the verdicts were inconsistent, but declined to order further deliberations. App. 25a-26a. The court then entered judgment for Callaway that facially adopted the jury's inconsistent verdicts. App. 39a.

Acushnet renewed its JMOL motion of obviousness on the eight claims that had not been invalidated and alternatively moved for a new trial. Callaway did not seek JMOL of nonobviousness on the one claim that the jury held was invalid. On November 10, 2008, the district court denied Acushnet's post-trial motions (App. 44a-90a) and permanently enjoined Acushnet from making and selling the Pro V1 balls at issue during trial. App. 40a-43a.

The district court's post-trial opinion highlights the analytical errors that are rampant under the Federal Circuit's obviousness precedent. According to the district court, it was Acushnet's burden "to prove obviousness at trial by clear and convincing evidence" and it was Acushnet's burden on JMOL to "demonstrate that the verdict of

nonobviousness was not supported by substantial evidence." App. 56a. The district court was incorrect on both counts.

A defendant's burden applies to the facts underlying its invalidity defense, not the ultimate legal conclusion. Once the facts are established by whatever quantum of proof may be required, the appropriate legal conclusion is drawn from those facts. Simply put, a legal conclusion is not proven by clear and convincing evidence, and the "substantial evidence" standard of review should not apply when reviewing that conclusion. Instead, only the underlying factual findings are reviewed for substantial evidence to establish the factual background upon which the court's legal conclusion is independently drawn.

Nevertheless, in denying JMOL, the district court reviewed the jury's nonobviousness verdicts only for "substantial evidence."

> [Acushnet] must show the absence of facts necessary to support a verdict of nonobviousness, such that no reasonable jury could conclude that defendant failed to meet its high burden of proof. Such showing is nearly unattainable in view of the fact that [Callaway] presented its own rebuttal expert, Dr. Risen, who testified regarding both the scope and content of the prior art and the lack of a motivation to combine, a question of fact.

App. 56a-57a. The district court identified and upheld three disputed facts that the jury implicitly resolved in Callaway's favor.

First, the district court held that the jury could have found that Acushnet's evidence showing the claimed Shore D hardness limitation in the prior art fell short of clear and convincing. App. 57a-60a. In other words, a reasonable jury could have found that the claimed Shore D hardness limitation constituted a difference with the prior art for purposes of *Graham*.

Second, the district court held that a jury could have reasonably "concluded" that a person of ordinary skill would not have been motivated to put a polyurethane cover on the Proudfit ball with any expectation of success. App. 60a-62a. The court also upheld an implicit finding that the golf ball art was "unpredictable' in that a designer would not know in advance what performance would result from any particular combination of ball materials, cover hardnesses, and layer thicknesses. App. 62a-64a. Ignoring that the patents-in-suit provided no such guidance, the court credited Callaway's expert's testimony that there would have been no motivation to combine Proudfit with either Molitor or Wu. App. 64a-65a.

Third, the district court cited Callaway's evidence of secondary considerations of nonobviousness, which consisted primarily of Acushnet's own commercial success with its accused Pro V1 balls. App. 65a-66a. According to the district court, Acushnet's infringement stipulation was

sufficient to establish a prima facie case that a nexus existed between the commercial success and the patented invention. App. 65a n.11.

In conclusion, the district court reiterated "that substantial evidence supports the jury's verdict of non-obviousness." App. 68a. Moreover, the court declared that it did not need to consider Acushnet's evidence because the jury was free to resolve the conflicting expert testimony in favor of Callaway. App. 68a. Thus, the district court concluded that "a reasonable jury could have found that defendant failed to meet its clear and convincing burden on invalidity." App. 69a.

D. The Federal Circuit's Decision

The Federal Circuit began by stating that "[a]lthough the ultimate question of obviousness is a legal issue reviewed de novo, the underlying findings of fact (whether implicit or explicit within the jury's verdict) are reviewed from substantial evidence." App. 15a (citation omitted). However, the Federal Circuit never reached the ultimate legal issue.

Instead, the Federal Circuit merely agreed "that, when viewed in the light most favorable to the verdict, the jury could have reasonably concluded that Acushnet failed to prove invalidity due to obviousness." *Id.* On its face, that approach of reviewing "in a light most favorable to the verdict" and deciding what "the jury could have reasonably concluded" represents how courts review jury fact findings, not how the courts draw legal conclusions from established facts.

The Federal Circuit's § 103 analysis consisted of deciding only that "[t]he evidence before the jury did not compel a finding that all claim limitations were present in the prior art." App. 16a. Under *Graham*, that is just one of the underlying factual inquiries, i.e., identifying the differences between the prior art and the claimed invention. See 383 U.S. at 17-18. Once any differences have been established as a matter of fact, then the relevant legal conclusion must be drawn by deciding whether overcoming the identified differences would have been obvious to one of ordinary skill in the art. However, the latter inquiry was never conducted in this case.

The Federal Circuit seemingly accepted Callaway's argument that "the jury could have rationally concluded that [the cited] combinations did not in fact disclose or render obvious all limitations of the asserted claims." App. 16a. However, that position completely blurs the critical distinction between the factual and legal components of the obviousness inquiry. Any question of whether the jury could "rationally conclude" that the cited prior art combinations did not "in fact" disclose all of the claim limitations is the third factual inquiry under *Graham*. However, the separate question of whether the cited prior art combinations would have rendered the claimed combination obvious is neither a question of fact nor something to be reviewed merely for what a rational jury might have decided.

Here, the Federal Circuit only affirmed the jury's implicit finding that the prior art did not disclose a polyurethane outer cover on a golf ball that was below 64 on the Shore D hardness scale. App.

16a-20a. At most, that finding should have become just one established fact upon which the ultimate legal conclusion was drawn. Instead, after upholding that one finding, the Federal Circuit's obviousness analysis simply stopped:

> In summary, whether the prior art disclosed the necessary hardness limitation claimed in the Sullivan patents was an issue of fact genuinely contested before the jury. The district court did not err in concluding that substantial evidence supports the jury's implicit resolution of that factual issue in Callaway's favor.

App. 20a. No other implicit findings were reviewed. No other undisputed facts were mentioned. No independent analysis of the appropriate legal conclusion to be drawn from those established and undisputed facts was ever made. As a matter of law, that cannot be how federal courts are allowed to apply this Court's precedent requiring that the ultimate invalidity determination be rendered as a legal conclusion by the court.

REASONS FOR GRANTING THE PETITION

The Federal Circuit needs this Court's instruction on how to review a jury verdict on the ultimate legal issue of obviousness under 35 U.S.C. § 103(a). As explained herein, the Federal Circuit does not maintain the critical distinction between reviewing a jury's presumed but implicit underlying factual findings and independently deciding the ultimate legal conclusion based on the undisputed facts and any jury findings supported by substantial evidence. Thus, not only are courts not rendering an independent judicial decision on the ultimate validity issue as required by this Court's precedent, but the Federal Circuit's review methodology has become so fundamentally flawed that this Court's guidance and correction is required.

This Court should make clear that the judicial role in reviewing a jury's § 103 verdicts (whether on JMOL or appeal) requires more than simply deciding whether one or even all of the jury's underlying findings are supported by substantial evidence. Instead, the proper judicial inquiry is a two-step process where the second step requires the court to render its own legal conclusion based on the facts established by the jury's supported findings. In this case, as in many others decided under the Federal Circuit's flawed approach, the second step is simply not being done.

Here, the Federal Circuit only affirmed that a reasonable jury could have found a difference between the claimed invention and the prior art, and then affirmed the district court's acceptance of the

jury's nonobviousness verdicts on that basis. However, the mere fact that one or more claim limitations are not in the prior art does not invariably require a conclusion of nonobviousness. Regardless of that finding, both the district court and the Federal Circuit were obligated to decide *de novo* (*i.e.*, without deference to the jury's § 103 verdicts) whether, despite that difference, the asserted claims were invalid for obviousness.

As this Court settled in *Graham*, obviousness is a question of law. Yet, in its own words, the Federal Circuit merely agreed "that, when viewed in the light most favorable to the verdict, the jury could have reasonably concluded that Acushnet failed to prove invalidity by clear and convincing evidence." Tab A, at 12. That review methodology is wrong for at least three reasons.

Unlike a jury's resolution of the disputed facts, a jury's ultimate legal conclusion (1) should never be reviewed in a light most favorable to the verdict, (2) should never be reviewed from the perspective of a reasonable jury, and (3) is not itself a fact to be proven by clear and convincing evidence. Under *Graham*, obviousness is not a factual question, and a jury verdict on that ultimate legal question should never be reviewed only for substantial evidence. Once a jury's findings are reviewed to establish the facts, the reviewing court must then render its own legal conclusion of "valid" or "invalid"— regardless of whether the jury's conclusion could be deemed plausible or reasonable.

The jury's § 103 verdict necessarily identifies its presumed fact findings, but cannot be binding as to its stated legal conclusion. Moreover, the reviewing court's acceptance of any or all of a jury's findings on the disputed underlying factual issues cannot relieve that court from rendering its own legal conclusion on patent validity without regard to the jury's or the lower court's conclusion. This Court in *Graham* rendered its own legal conclusion on the ultimate § 103 issues by disagreeing with the contrary conclusions of the lower courts without remanding or describing any underlying finding as "clearly erroneous." By itself, *Graham* establishes that both the district court and the Federal Circuit cannot simply uphold one or some of the jury's findings and then affirm the jury's verdict without ever independently analyzing and deciding the ultimate legal issue on validity.

Those fundamental errors in the Federal Circuit's methodology for reviewing § 103 verdicts are not unique to this case and clearly warrant this Court's review. Moreover, by correcting the Federal Circuit's improperly truncated approach, this Court will provide much needed guidance regarding the correct "fact vs. law" distinctions under § 103 that will affect not only JMOL motions, but motions for summary judgment, jury instructions, and jury interrogatories. Because differentiating between the factual and legal aspects of the obviousness inquiry implicates virtually every litigated patent case, there may be no more important doctrinal issue in the Federal Circuit's precedent in need of review and clarification by this Court.

I. THIS COURT SHOULD REVIEW AND CORRECT THE FEDERAL CIRCUIT'S METHODOLOGY FOR REVIEWING JURY OBVIOUSNESS HOLDINGS

As the Federal Circuit itself explained 20 years ago, at the express direction of this Court, the § 103 inquiry requires resolving any disputes on the underlying factual issues and then making the separate legal conclusion on the ultimate invalidity issue. *See Panduit*, 810 F.2d at 1566-69. In a jury case, the jury does only the first step while the court (whether trial or appellate) should be the one that does the second. Unfortunately, as in this case, many Federal Circuit and district court decisions since *Panduit* incorrectly treat obviousness as a factual question, review the conclusion only for what a reasonable jury might decide, or assume upholding any factual finding requires acceptance of the jury's legal conclusion.

Because obviousness is a question of law, there should be no such thing as a jury "finding" on obviousness, nor is there any basis for holding that a jury's § 103 verdict is supported by "substantial evidence." However, the Federal Circuit has repeatedly rendered such holdings. *See, e.g.*, *Honeywell Int'l Inc. v. Hamilton Sundstrand Corp.*, 370 F.3d 1131, 1145-46 (Fed. Cir. 2004) (*en banc*) (we agree "there is substantial evidence to support the jury's finding of nonobviousness"). Moreover, such improper holdings cannot be disregarded as merely

loose language or dicta.[2] In light of such Federal Circuit precedents, many district courts, like the one in this case, are incorrectly reviewing § 103 verdicts only for substantial evidence.

As noted, the Federal Circuit had begun by the mid-1990's to invoke the "clearly erroneous" or "substantial evidence" standards of review that should have been applicable only to issues of fact when reviewing the ultimate legal issue of validity under § 103. See *Lockwood*, 50 F.3d at 988-89 (Nies, J., dissenting). However, the current Federal Circuit has elevated that mistaken approach into that court's standard review methodology. See, e.g., *Kemin Foods, L.C. v. Pigmentos Vegetales Del Centro S.A.*, 464 F.3d 1339, 1344 n.2 (Fed. Cir. 2006) ("[o]ur cases ...have applied the substantial evidence standard to general jury verdicts on obviousness, ...and PIVEG has not pointed to any contrary authority"). However, the contrary authority resides

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[2] See, e.g., *Cordis Corp. v. Boston Scientific Corp.*, 561 F.3d 1319, 1322 (Fed. Cir. 2009) ("there was substantial evidence that these prior art patents did not render claim 36 obvious"); *Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.*, 381 F.3d 1371, 1378 (Fed. Cir. 2004) ("The record contains substantial evidence whereby a reasonable jury could have reached the verdict that it would not have been obvious ... [i]n view of this evidentiary support, the district court's grant of JMOL cannot stand."); *LNP Engineering Plastics, Inc. v. Miller Waste Mills, Inc.*, 275 F.3d 1347, 1353 (Fed. Cir. 2001) ("the record supplies substantial evidence for a reasonable jury to find that claim 1 ... would have been obvious"); *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1237 (Fed. Cir. 1989) ("Our review shows that there was substantial evidence on which reasonable jurors could have concluded that claim 9 had not been proved invalid for obviousness, and thus reached the verdict of 'valid.'").

in *Graham* and this Court's other invalidity decisions where this Court has consistently drawn its own independent legal conclusion from the undisputed and established facts.[3]

This problem is consistently surfacing and will not be resolved without this Court's intervention. In *Kinetic Concepts, Inc. v. Blue Sky Med. Group, Inc.*, 554 F.3d 1010, 1020 (Fed. Cir.), *cert. denied*, 2009 WL 2493730 (Nov. 17, 2009), the Federal Circuit affirmed a nonobviousness judgment merely upon upholding a jury's finding that the prior art did not disclose one claim limitation ("treating a wound with negative pressure"). As in this case, the Federal Circuit held that "this was sufficient to support the jury's verdict of non-obviousness." *Id.* As in this case, however, the accepted finding in *Kinetic Concepts* merely identified one difference with the prior art, a factual inquiry under *Graham*. Thus, as in this case, the mere existence of a difference with the prior art should not have been dispositive nor the end of the judicial § 103 inquiry.

More recently, the Federal Circuit in *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288 (Fed. Cir. 2009), reviewed a district court's grant of JMOL of nonobviousness that reversed a jury's obviousness verdicts. For five different sets of

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[3] See, e.g., *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273, 280 (1976); *Dann v. Johnson*, 425 U.S. 219, 230 (1976); *Anderson's-Black Rock, Inc. v. Pavement Salvage Co.*, 396 U.S. 57, 62-63 (1969); *United States v. Adams*, 383 U.S. 39, 51 (1966); *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.*, 340 U.S. 147, 153-54 (1950).

asserted claims, the Federal Circuit again treated the existence of substantial evidence supporting the jury's implicit factual finding that a particular claim limitation was in the prior art as being dispositive of the ultimate legal conclusion. See *id.* at 1297-1300 ("[b]ecause substantial evidence supports the jury's implicit finding, JMOL was inappropriate"). Once again, whether or not the jury's "differences with the prior art" findings were supported, they cannot be dispositive of the ultimate legal conclusion. More importantly, the mere existence of differences with the prior art should not have allowed the Federal Circuit to avoid independently deciding the legal issue of whether it would have been obvious to overcome the identified differences.

The petition for a writ of certiorari in the *Kinetic Concepts* case asked this Court to decide whether a defendant "has a right to independent judicial, as distinct from lay jury, determination of [obviousness]." *See Medela AG v. Kinetic Concepts, Inc.*, No. 09-198 (filed Aug. 13, 2009). While that petition correctly recognized the problem, the petition likely proposed an overbroad solution—eliminating the jury entirely from deciding issues of patent validity. However, the real problem stems not from allowing a jury to resolve disputed facts, but from the Federal Circuit's error in allowing the jury's legal conclusion to be insulated from independent judicial review under the guise of applying "substantial evidence" and "reasonable jury" standards of review.

The more modest solution posed by the present petition—without any Seventh Amendment

concerns—is for this Court to instruct the Federal Circuit and district courts regarding how to identify and review the implicit factual findings within a jury's § 103 verdict without abdicating the court's independent responsibility to ensure that the statutory standards for patentability have been satisfied. By doing so, this Court will be able to reaffirm that the ultimate "obvious" or "nonobvious" decision is a legal conclusion to be made by the reviewing court based on the undisputed and established facts.

II. A JURY'S § 103 VERDICT IDENTIFIES THE JURY'S IMPLICIT FINDINGS ON ANY UNDERLYING DISPUTED FACTUAL ISSUES, BUT IS MERELY ADVISORY AS TO THE JURY'S STATED LEGAL CONCLUSION

As demonstrated by this Court's approach in *Graham*, the court must decide the ultimate legal issue, even in jury cases. However, in *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 895 n.5 (Fed. Cir. 1984), the Federal Circuit rejected the view "that a jury verdict on nonobviousness is at best advisory." The Federal Circuit specifically disagreed with *Sarkisian v. Winn-Proof Corp.*, 688 F.2d 647, 651 (9th Cir. 1982), which allowed a jury to decide obviousness but characterized a jury's verdict on the ultimate issue as being "a nonbinding advisory opinion." The Federal Circuit declared that the Ninth Circuit's view "would make charades" of motions under Fed. R. Civ. P. 50 in patent cases. See 732 F.2d at 895 n.5.

Despite the Federal Circuit's concerns in *Perkin-Elmer* about patent cases not being different from other civil cases, it overlooked that the Ninth Circuit's "advisory opinion" was properly limited to the jury's ultimate conclusion, not to its underlying findings. The Ninth Circuit agreed that this Court's *Graham* factors were to be decided by the fact finder, preferably by detailed special interrogatories in jury trials or by detailed findings in nonjury trials. See 732 F.2d at 650. In contrast to the Federal Circuit's current confusion, the Ninth Circuit also understood that the appropriate standard of appellate review depended upon which portion of the obviousness inquiry is at issue.

> The predicate factual determinations are reviewed under the appropriate standard for findings of fact. If made by the jury, we review for support by substantial evidence. ... We review a judge's findings under the clearly erroneous test. Fed. R. Civ. P. 52(a).
>
> The ultimate conclusion of obviousness ...is a question of law. It is subject to our independent review.

688 F,2d at 651. Thus, nothing in *Sarkisian* intruded upon a jury's traditional role of factfinding or made a "charade" of post-trial motions under Rule 50. Indeed, it is the Federal Circuit's current practice of treating a jury's *Graham* findings as dispositive of the ultimate legal conclusion that causes the post-trial JMOL motion to become a charade rather than a true judicial decision.

This Court should resolve the conflict between *Sarkisian* and *Perkin-Elmer* by holding that a jury's § 103 verdicts are not advisory only to the extent that they identify the jury's underlying findings that determine the factual "background" upon which the court's ultimate legal conclusion is to be drawn. Where a jury returns a general verdict, all disputed factual issues are presumed to have been decided in favor of the verdict winner. But once those findings are identified and reviewed, the jury's § 103 verdict on the ultimate legal conclusion is necessarily advisory because, as in *Graham*, the reviewing court must draw its own legal conclusion from the established facts no matter how the jury itself decided the invalidity issue.[4]

Properly understood, a jury's § 103 verdict is not advisory as to its findings (even if they are implicit), but is advisory and entitled to no weight or deference on its ultimate legal conclusion (even though explicitly stated). In the absence of special interrogatories, a jury's § 103 verdict simply serves

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[4] Earlier Federal Circuit decisions correctly recognize that distinction. *See, e.g., Richardson-Vicks Inc. v. Upjohn Co.*, 122 F.3d 1476, 1479 (Fed. Cir. 1997) ("That an obviousness determination stands upon the relevant facts does not convert the ultimate conclusion of obviousness from one of law into one of fact."); *Newell Companies, Inc. v. Kenney Mfg. Co.*, 864 F.2d 757, 763 (Fed. Cir. 1988) ("it is not the function of the jury to pick and choose among *established facts* relating to obviousness in contrast to its obligation to sift through the *conflicting evidence* to determine what those facts are"); *Railroad Dynamics, Inc. v. A. Stucki Co.*, 727 F.2d 1506, 1515 (Fed. Cir. 1984) ("the judge must remain the ultimate arbiter on the question of obviousness").

as shorthand to identify how the jury must initially be presumed to have resolved the underlying disputed issues of fact.

One solution would be to require juries to answer special interrogatories on the disputed factual issues in patent cases. Like the Ninth Circuit in *Sarkisian*, 688 F.2d at 650, the Federal Circuit has encouraged that procedure, e.g., *Hewlett-Packard Co. v. Mustek Systems, Inc.*, 340 F.2d 1314, 1325 (Fed. Cir. 2003), but has never required it. One inherent difficulty is that the underlying factual issues for obviousness, particularly those related to secondary considerations, are not always "yes-no" questions that lend themselves to "fill in the blank" jury interrogatories. Nevertheless, if litigants and district courts were required to identify the disputed factual issues for the jury, a jury would not need to answer the ultimate question, the parties and the reviewing court would know which factual disputes had been resolved in favor of which party, and the court could render its own legal conclusion based on the actual findings, not just presumed ones.

Like most patent jury cases, that is not what happened here, but that cannot absolve the courts from properly reviewing the verdicts. Here, the Federal Circuit presumed from the nonobviousness verdicts that the jury accepted Callaway's factual assertion that the prior art did not show polyurethane outer covers with a hardness below Shore D 64 on a three-piece ball. The panel then decided that a jury could have reasonably made that finding. App. 18a-20a. Based on that one single finding, the Federal Circuit then affirmed the denial

of JMOL without addressing whether the affected claims would have been obvious despite that minor difference in light of the clear teachings and explicit suggestions in the prior art. Such judicial deference to a jury's ultimate § 103 conclusion should no longer be allowed or perpetuated by this Court.

III. AFFIRMANCE OF EVEN ALL OF A JURY'S UNDERLYING FINDINGS DOES NOT MANDATE THAT THE REVIEWING COURT AFFIRM THE JURY'S ULTIMATE LEGAL CONCLUSION

As in *Graham*, even if every underlying finding is accepted, the reviewing court is free to disagree with the jury's conclusion, and must always consider the ultimate legal question itself and without deference. This Court should grant this petition to hold that a jury's verdict on the ultimate § 103 invalidity issue can be reversed even if every underlying finding is upheld. The Court should also hold that no single finding on any *Graham* factor, including secondary considerations, is dispositive of the ultimate legal issue. Even the Federal Circuit's own precedent holds that all probative facts must be considered before a court renders its ultimate legal conclusion. *See Panduit*, 810 F.2d at 1569-71. Yet here, as in *Kinetic Concepts* and *Fresenius*, the Federal Circuit looked at just one.

Unlike some other mixed fact-and-law questions, the appropriate legal conclusion under § 103 will not follow automatically from the findings on the *Graham* factors. For example, the proper legal conclusion on negligence follows directly from a

jury's findings on the four underlying factual elements (duty, breach, proximate cause, and damage). If each element is found as a matter of fact, there is negligence as a matter of law. If any element is absent, there is no negligence as a matter of law. In contrast, even after a jury's findings on the *Graham* factors are identified and reviewed, the legal conclusion based on those established facts must be independently decided by the reviewing court, and could be different from that reached by the jury or a lower court.

For example, a patentee will try to prove as a matter of fact that there are multiple differences with the prior art while the defendant tries to show there are few or none. Whatever the outcome, resolution of those factual disputes merely provides the backdrop for the court's legal conclusion rather than determines it. Even when differences with the prior art exist, a defendant can still prove that the claimed invention would have been obvious as a matter of law despite such differences.

The required legal analysis cannot be different where any differences with the prior art are resolved by a jury rather than being undisputed. Indeed, an affirmance of a jury's finding establishes that fact as no longer in dispute, but cannot end the court's § 103 analysis. Yet, that is exactly what happened here. The Federal Circuit held that "substantial evidence supports the jury's implicit resolution" of whether the prior art disclosed a polyurethane outer cover with a hardness below Shore D 64 on a three-piece ball. App. 20a. At that point, the Federal Circuit's § 103 analysis simply stopped. *Id.*

Had the district court or the Federal Circuit done the complete legal analysis, the undisputed facts and the governing post-*KSR* law should have compelled the ultimate legal conclusion that, despite no express example in the prior art of a polyurethane cover hardness below Shore D 64 on a three-piece ball, the asserted claims are invalid. Proudfit's soft, three-piece, balata-covered ball met each limitation but a polyurethane cover (App. 9a n.3), while other cited prior art references taught substituting castable polyurethane for balata, taught using polyurethane and non-polyurethane covers with hardness below Shore D 64, taught the desirability of a relatively soft outer cover on a three-piece ball, and taught as routine how to vary cover hardness. See Acushnet Br. 11-15, 34. Even the Federal Circuit's analysis shows that the single difference found with the prior art was truly miniscule. See App. 16a-20a & n.8.

The Federal Circuit's summary of the prior art confirms that, as of Sullivan's alleged invention, three-piece golf ball designs and polyurethane covers were well-known, App. 9a n.3, and Acushnet's Dr. Wu had just disclosed a new, castable polyurethane specifically for use as a golf ball cover that prompted the inventor to amend his pending applications and caused multiple ball manufacturers to follow her suggestion to substitute the new polyurethane material onto existing ball designs. Where there is but one difference over the closest prior art and where there was an express motivation to combine, a combination of well-known components being used for their established function should be unpatentable as a matter of law. See 550 U.S. at 418.

While Callaway stressed the alleged "unpredictability" of achieving the right combination out of the countless claimed permutations of ordinary golf ball components, a proper application of the law would not have allowed such arguments to preserve the validity of the asserted claims. First, contrary to Callaway's premise, the asserted claims have no limitations directed to any unexpected results or unique performance criteria to distinguish the prior art. *See MuniAuction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1328 n.5 (Fed. Cir. 2008) (claims "broad enough to read on obvious subject matter are unpatentable even though they also read on nonobvious subject matter"). Absent such limitations, the claims are nothing more than a straightforward combination of well-known prior art golf ball components.

As this Court made clear in *KSR*, where a technique improves one device and one of ordinary skill would recognize that it would improve similar devices in the same way, using that technique to improve the prior art is not patentable. 550 U.S. at 407. However, no court in this case has undertaken this Court's *KSR* analysis. Instead, both the district court and the Federal Circuit simply accepted the jury's verdicts as supported by substantial evidence without ever independently deciding whether the ultimate legal conclusion based on those facts comported with the controlling law.

IV. THIS CASE PROVIDES AN EXCELLENT VEHICLE FOR DECIDING THE IMPORTANT ISSUES PRESENTED

Because the Federal Circuit has remanded this case for a new trial, its interlocutory posture might initially appear to weigh against granting review at this time. However, a more important consideration is that this case presents its important doctrinal questions in an appropriate context for this Court's review. Moreover, there is nothing to be gained by waiting any longer for self-correction by the Federal Circuit.

The error inherent in the Federal Circuit's review methodology is cleanly presented by its affirmance of the denial of JMOL based solely on a single jury fact finding. Not only is that issue case dispositive, but the Federal Circuit's recent decisions in *Kinetic Concepts* and *Fresenius* demonstrate that the challenged methodology is not an exception but is the rule in that court. Finally, there may never be a clearer instance where the alleged secondary considerations lacked any nexus to the invention as actually claimed and thus were more misused before the jury en route to a legally-flawed outcome.

By affirming the denial of JMOL of obviousness merely by upholding the one difference over the prior art, the Federal Circuit did not reach the final disputed *Graham* factor, *i.e.*, secondary considerations. Nevertheless, because correction of the Federal Circuit's truncated review methodology also implicates those issues, this case provides an excellent vehicle by which this Court should reaffirm

its holding in *Graham* that secondary considerations provide "legal inferences" that are "more susceptible of judicial treatment than are the highly technical facts often present in patent litigation." See 383 U.S. at 35-36.

As noted, Callaway's efforts to preserve the validity of the asserted claims at trial relied almost exclusively on the commercial success and unexpected results achieved by Acushnet's accused Pro V1 balls. Here, such allegations should not have supported any legal inference of nonobviousness because Callaway's evidence lacked any "nexus" to the broadly claimed subject matter.[5] See *In re Peterson*, 315 F.3d 1325, 1330-31 (Fed. Cir. 2003) (one or even a small number of species yielding unexpected results cannot support claims to a much broader range). Such overbroad claims should never have survived a court correctly applying the controlling law, but as yet, no court has done the proper legal analysis.

Moreover, despite *Graham*, the Federal Circuit also incorrectly treats "nexus" as a factual issue for the jury. See, e.g., *Pro-Mold and Tool Co. v. Great Lakes Plastics, Inc.*, 75 F.3d 1568, 1574 (Fed.

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[5] See, e.g., *Ormco Corp. v. Align Tech., Inc.*, 463 F.3d 1299, 1311-12 (Fed. Cir. 2006) ("Evidence of commercial success, or other secondary considerations, is only significant if there is a nexus between the claimed invention and the commercial success."); *In re GPAC, Inc.*, 57 F.3d 1573, 1580 (Fed. Cir. 1995) ("For objective evidence to be accorded substantial weight, its proponent must establish a nexus between the evidence and the merits of the claimed invention.").

Cir. 1996). As with the other *Graham* factors, the Federal Circuit thus confuses the factual components with the legal component and improperly defers to a jury's implicit findings on secondary considerations and nexus, when this Court has instructed that such matters may give rise only to a "legal inference" that should be reserved for judicial weighing en route to a court rendering its ultimate legal conclusion.

More importantly, this petition raises issues of fundamental importance that directly implicate most pending and future patent cases apart from the particular dispute between these parties. To be sure, the parties' dispute is of considerable importance even on its own. The accused Pro V1 balls are the world's leading golf balls, and, if infringement liability were to be established, the alleged damages are well in the hundreds of millions of dollars.

Absent this Court's review, the district court will necessarily conduct a second trial. No matter which side prevails, the court will surely again review the resulting verdicts merely for substantial evidence in the manner that the Federal Circuit has just employed and approved. No matter which party prevails, the other side will likely challenge the review methodology all the way to this Court. Not only would such proceedings be costly to the parties and the judicial system, but a large number of other patent jury cases will also be tried and incorrectly reviewed during the intervening period.

There is nothing to be gained by waiting for further developments. The issues are squarely presented. Now is the time and this is the case in

which this Court should review and correct the Federal Circuit's flawed methodology for reviewing jury verdicts under § 103.

CONCLUSION

The petition for writ of certiorari should be granted.

Respectfully submitted.

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December 11, 2009

Attorneys for Petitioner

APPENDIX

APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2009-1076

CALLAWAY GOLF COMPANY,

Plaintiff-Appellee,

v.

ACUSHNET COMPANY,

Defendant-Appellant.

Frank E. Scherkenbach, Fish & Richardson P.C., of Boston, Massachusetts, argued for plaintiff-appellee. With him on the brief was Thomas L. Halkowski, of Wilmington, Delaware.

Henry C. Bunsow, Howrey LLP, of San Francisco, California, argued for defendant-appellant. With him on the brief were Joseph P. Lavelle and Kenneth W. Donnelly, of Washington, DC, and Richard L. Stanley, of Houston, Texas. Of counsel on the brief were Edward A. Pennington and Amanda M. Rettig, Hanify & King, PC, of Washington, DC.

Appealed from: United States District Court for the District of Delaware

Judge Sue L. Robinson

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2009-1076

CALLAWAY GOLF COMPANY,

Plaintiff-Appellee,

v.

ACUSHNET COMPANY,

Defendant-Appellant.

Appeal from the United States District Court for the District of Delaware in case no. 06-CV-091, Judge Sue L. Robinson.

DECIDED: August 14, 2009

Before LINN, DYK, and PROST, Circuit Judges.

DYK, Circuit Judge.

Callaway Golf Company ("Callaway") brought suit against Acushnet Company ("Acushnet"), alleging that Acushnet had infringed various claims of four golf ball patents owned by Callaway (known

as the "Sullivan patents").[1] Acushnet stipulated that its golf balls infringed, but contended that the asserted claims were invalid for anticipation and obviousness. After construing the claims, the district court granted summary judgment of no anticipation. Callaway Golf Co. v. Acushnet Co., 523 F. Supp. 2d 388, 407 (D. Del. 2007) ("Summary Judgment Order"), vacated in part by 585 F. Supp. 2d 600 (D. Del. 2008) ("JMOL Order"). Following a trial on obviousness, the jury determined that—with the exception of dependent claim 5 of the '293 patent—none of the asserted claims was invalid. The district court entered final judgment concluding that dependent claim 5 of the '293 patent was invalid for obviousness, but that independent claim 4 (from which it stemmed), as well as the other seven asserted claims, were not.

We conclude that Acushnet raised a genuine question of material fact concerning anticipation, and we reverse the district court's entry of summary judgment on that issue and remand. As to obviousness, we affirm the district court's determination that Acushnet was not entitled to judgment as a matter of law that the asserted claims are invalid for obviousness. But because the judgment on obviousness was based upon irreconcilably inconsistent jury verdicts, we vacate

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[1] The four Sullivan patents are U.S. Patent Nos. 6,210,293 ("'293 patent"), 6,503,156 ("'156 patent"), 6,506,130 ("'130 patent"), and 6,595,873 ("'873 patent"). At issue are claims 1, 4, and 5 of the '293 patent, claims 1-3 of the '156 patent, claim 5 of the '130 patent, and claims 1 and 3 of the '873 patent.

the judgment of the district court and remand for a new trial. Thus, for the reasons that follow, we affirm-in-part, reverse-in-part, vacate-in-part, and remand for a new trial.

BACKGROUND

I

Callaway and Acushnet are golf equipment manufacturers. Callaway is the current owner of the Sullivan patents, which share nearly identical specifications and contain similar claims to a multi-layer polyurethane-covered golf ball. Historically, golf balls designed to travel long distances when struck by a driver were relatively hard. JMOL Order, 585 F. Supp. 2d at 605. In contrast, golf balls designed to exhibit other desirable playability characteristics (such as spin control for approach shots, and the proper "click" and "feel" upon being struck) typically were softer. Id. According to the specification, a major advantage of the patented invention is that it presents a "dual personality" ball that is capable of travelling great distances, yet does not exhibit diminished playability or durability. See '293 patent col.5 ll.23-30; id.col.3 ll.21-29.

As shown below in Figure 2 of the '293 patent, the patented golf ball contains a core **10** and a multi-layer cover consisting of a first or inner layer **14** and a second or outer layer **16**. '293 patent col.5 ll.51-52. The first or inner cover layer is preferably made of a blend of low-acid ionomer resins, while the second or outer cover layer is made of a relatively soft

polyurethane material. Id. col.5 ll.35-54 & col. 6 l.56-col.7 l.8.

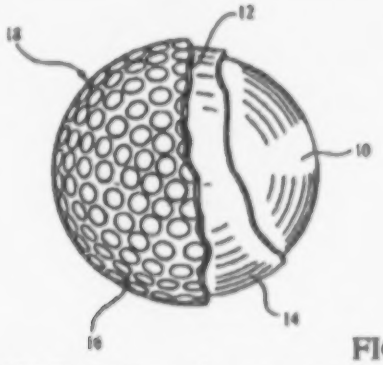

FIG. 2

Claim 1of the '293 patent is generally representative of the asserted claims:

1. A golf ball comprising:

a core;

an inner cover layer having a Shore D hardness of 60 or more molded on said core, said inner cover layer having a thickness of 0.100 to 0.010 inches, said inner cover layer comprising a blend of two or more low acid ionomer resins containing no more than 16% by weight of an alpha, beta-unsaturated carboxylic acid;

and an outer cover laver having a Shore D hardness of 64 or less molded on said inner cover layer, said outer cover layer having a thickness of 0.010 to 0.070 inches, and said outer cover laver comprising a relativelv soft polyurethane material.

'293 patent col. 23 ll. 48-61 (emphases added).

Callaway's other asserted claims vary slightly from claim 1 of the '293 patent, but each claims a golf ball with a core, an ionomer resin (or ionomer blend) inner cover layer with a Shore D hardness of 60 or more, and a polyurethane outer cover layer with a Shore D hardness of 64 or less. "Shore D hardness" refers to a hardness standard published by the American Society for Testing and materials.[2] Callaway sells or previously sold several lines of golf balls that practice the patented technology. Summary Judgment Order, 523 F. Supp. 2d at 393.

II

Callaway sued Acushnet for patent infringement on February 9, 2006, in the United States District Court for the District of Delaware. The accused products are the Titleist Pro V1, Pro V1*, and Pro V1x golf balls, which Acushnet introduced to the market in 2000, 2002, and 2003 respectively. The Pro V1 has a three-piece construction consisting of a solid core, an ionomer-blend inner cover, and a polyurethane outer cover. The Pro V1* (since discontinued) and Pro V1x balls are "dual-core" balls having an inner core, an outer

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[2] The standard, ASTM D-2240, describes a method of testing hardness by forcing an indentor into the material to be tested. The indentor's penetration into the material under specified conditions indicates the relative hardness of the material. The standard describes several standard sizes of indentors (type A, B, C, D, etc.), with "Shore D" hardness referring to hardness measured using a size "D" indentor. American Society for Testing and Materials, Standard Test Method for Rubber Property-Durometer Hardness 1 (1995) ("ASTM D-2240").

core, an ionomer inner cover, and a polyurethane outer cover.

On November 20, 2007, the district court construed various disputed terms of the Sullivan patents, including the term "cover layer having a Shore D hardness." The parties agreed that as a general proposition "Shore D hardness" refers to a durometer measurement of a material's hardness rated on the Shore D hardness scale, which is described in the ASTM D-2240 standard. They disagreed, however, as to whether the Sullivan patent claims refer to the hardness of the cover layer as measured on a golf ball, or the hardness of a sample of the cover layer material measured off the ball. As the district court noted, the parties' experts testified that numerous factors (such as the composition of the layer under the material being tested) can affect the measured hardness of a material. Thus, on-the-ball and off-the-ball hardness measurements of the same cover material can differ. JMOL Order, 585 F. Supp. 2d at 610 & n.6; Summary Judgment Order, 523 F. Supp. 2d at 399 & n.11.

The district court held that the claim limitation "[c]over layer having a Shore D hardness" requires that the Shore D hardness measurement of the cover layer be taken on the ball. Callaway Golf Co. v. Acushnet Co., No. 06-CV-091, 2007 WL 4165415, at *I (D. Del. Nov. 20, 2007) ("Markman Order"). Based on this on-the-ball construction, Acushnet stipulated that its Titleist Pro V1 ball infringed all of the asserted claims, and that its Pro

Vl* and Pro Vlx balls infringed all claims except claim 1 of the '293 patent.

III

Thereafter Acushnet focused its defense on the issues of anticipation and obviousness, moving for summary judgment of invalidity on those grounds. With regard to anticipation, Acushnet argued that the text of U.S. Patent No. 4,431,193 ("Nesbitt") itself discloses a three-piece golf ball meeting all limitations of the Sullivan patents save two: a polyurethane outer cover and a blend of ionomers in the inner cover. Callaway apparently does not dispute this. Acushnet argued that Nesbitt incorporates by reference U.S. Patent No. 4,274,637 ("Molitor '637"), which teaches both polyurethane and ionomer blends as cover materials and, Acushnet maintains, inherently discloses the necessary hardness limitations for those cover layers. Thus, according to Acushnet, when properly viewed as a single reference, Nesbitt/Molitor anticipates the Sullivan patents as a matter of law. In support of its anticipation argument, Acushnet also prepared test golf balls combining the polyurethane outer cover described by Molitor '637 with the core and ionomer-blend inner cover of Nesbitt and proffered measurements of the resulting balls. Callaway filed a cross motion for summary judgment of no anticipation (and opposed Acushnet's motion), arguing that Nesbitt did not incorporate Molitor '637 and thus failed to disclose the necessary Shore D hardness limitation.

On November 20, 2007, the district court granted Callaway's motion for summary judgment that Nesbitt does not anticipate as a matter of law. Summary Judgment Order, 523 F. Supp. 2d at 398:. The court held that "Nesbitt does not describe the use of polyurethane or blends of ionomer resins in Molitor '637 with sufficient particularity to effectuate an incorporation by reference of those features." Id. Based on this holding, the court also granted summary judgment of no anticipation on the ground that Nesbitt (without Molitor '637) does not disclose a cover hardness of Shore D 64 or less. Id. at 400.

IV

With regard to obviousness, Acushnet contended that the various separate elements of the Sullivan patents—including golf balls with multi-layer covers, ionomer-blend covers, and polyurethane covers—were all well known in the prior art. Acushnet relied on Nesbitt, Molitor '637, and three additional golf ball patents, U.S. Patent Nos. 4,674,751 ("Molitor '751"), 5,314,187 ("Proudfit"), and 5,334,673 ("Wu"),[3] in support of its contention that one of skill in the art would have had reason to combine the prior art and would have had a reasonable expectation of success. With regard to the

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[3] Proudfit teaches a three-piece golf ball with a core, an ionomer-blend inner cover, and a relatively soft outer cover of balata (a type of rubber). Proudfit col.6 ll.19-27; id. col.12 ll.47-52. Molitor '751 teaches a polyurethane cover that may be used on two-piece or three-piece golf balls. Molitor '751 col.3 ll.7-12; col.7 ll.49-51. Wu teaches a golf ball with a single cover layer made of polyurethane. Wu col.7 ll.37-47.

cover hardness limitation, Acushnet contended that Molitor '751 discloses the required range (albeit stated in terms other than "Shore D" hardness).

A jury trial limited to the question of obviousness was held from December 5 to December 14, 2007. The jury returned a verdict concluding that dependent claim 5 of the '293 patent was invalid for obviousness, but the remaining eight claims (including independent claim 4 of the '293 patent) had not been proven invalid.[4] On December 19, 2007, the court entered judgment tracking the jury's verdict. Trial on willfulness and damages was stayed.

After denying Acushnet's renewed motion for judgment as a matter of law on the eight claims held not invalid, on November 10, 2008, the district court issued a permanent injunction against Acushnet.

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[4] Question 1 of the verdict form is reproduced in its entirety:

> 1. Has Acushnet proven, by clear and convincing evidence, that any of the following claims of U.S. Patent No. 6,210,293 (the '293 patent) is invalid due to obviousness?
>
> "Yes" is a finding for Acushnet. "No" is a finding for Callaway.
> (A) Claim 1 Yes ___ No_X__
> (B) Claim 4 Yes ___ No_X__
> (C) Claim 5 Yes _X__ No___

JMOL Order, 585 F. Supp. 2d at 615. Questions 2, 3, and 4 were identical except for the patent and claim numbers, and for each claim in those questions the jury marked "No." Id.

JMOL Order, 585 F. Supp. 2d at 608-14, 622-23. Acushnet timely appealed, and we have jurisdiction under 28 U.S.C. § 1292(c)(l) and (2).

DISCUSSION

On appeal, Acushnet challenges five major aspects of the proceedings before the district court. We address each in turn.

I Claim Construction

Acushnet argues that the determinations that the claims were not invalid were based upon a faulty interpretation of the phrase "cover layer having a Shore D hardness," which appears in each of the asserted claims. Acushnet contends that the district court's on-the-ball construction led it to improperly reject Acushnet's invalidity arguments, which in part depended on prior art disclosing the off-the-ball hardness of polyurethane materials that can be used to make golf ball covers. We review the district court's claim construction de novo. Cybor Corp. v. FAS Techs., Inc., 138 F.3d 1448, 1456 (Fed. Cir. 1998) (en banc). We generally assign to claim terms "the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention." Phillips v. AWH Corp., 41 5 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc).

Acushnet argues that the district court's claim construction is erroneous because the specification notes in several places that the hardness values therein are "measured in accordance with ASTM

method D-2240." '293 patent col.7 ll.21-22.[5] The ASTM D-2240 standard states that hardness should not be tested on a rounded or curved surface, which Acushnet argues precludes measuring hardness on the rounded and irregular surface of a golf ball. ASTM D-2240, at 2. Thus, Acushnet contends, a person of ordinary skill in the art would understand "cover layer having a Shore D hardness" to mean the hardness of a flat sample of the material used for the cover layer at issue, tested off the ball.

We disagree. The Sullivan patents make clear that, when read in context, the reference to ASTM D-2240 does not require hardness of the cover layer to be tested off the ball. To the contrary, the claims speak of "[a] golf ball" with a "cover layer" having a certain hardness, rather than focusing on the hardness of the material used to create the cover layer. E.g., '293 patent col.23 ll.49-60. Likewise, the specification points to the hardness of the assembled ball (rather than of the cover materials in isolation) as the relevant characteristic. E.g., id. col.5 ll.7-8 ("The hardness of the ball is the second principal property involved in the performance of a golf ball." (emphasis added)). While there are examples providing off-the-ball measurements of commercially available materials in the patent, the examples directed to golf balls as opposed to starting materials specifically disclose hardness measurements taken

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[5] See also '293 patent col.9 (Table 2, noting that "ASTM Method" "D-2240" was used to test "Shore Hardness D"); id. col.11 (Table 3, same); id. col.11 ll.61-63 (noting Shore D hardness was measured "per ASTM D-2240"); col.16 ll.49-50 (same).

on intermediate and finished balls. E.g., id. col.22 l.14 (Table 8, showing "Shore D" hardness measurements on finished balls); see also id. col.17 ll.36-37, 41 (Table 5, showing "Shore C Hardness" of "Molded Intermediate Balls" with inner cover); id. col.18 ll.52-53, 57 (Table 6A, showing "Shore C Hardness" of "Molded Finished Balls" with outer cover in place); id. col.19 ll.63, 66 (Table 6A, same). These examples confirm that hardness was to be measured on the ball.[6] Indeed, as the district court noted, there is no "cover layer" to measure until a golf ball is produced. Markman Order, 2007 WL 4165415, at *1.

Moreover, here there was evidence at trial from Acushnet's own witnesses showing that those of skill in the art typically took Shore D hardness measurements on the ball. Jeff Dalton, for example-Acushnet's Vice President of Product Development-testified that the golf ball industry commonly conducted hardness tests in substantial compliance with ASTM D-2240, with the exception of the requirement that the test not be conducted on the ball: "[W]e-technical people in the golf ball industry deviate from that standard by not measuring [hardness] on the kind of test specimen that is called for in ASTM [D-2240]. We generally measure it on

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[6] Acushnet notes that some unasserted claims also specify a flexural modulus for the cover layers, which must be measured off the ball. See, e.g., '130 patent col.24 ll.1-2. Unlike modulus, however, hardness can be measured on the ball, and as discussed above, the patent makes clear that the claims refer to on-the-ball measurement of hardness.

the ball." Trial Tr. 514:21-515:1 (emphasis added).[7] Such evidence of accepted practice within the art, when not at variance with the intrinsic evidence, is relevant to the question of how a person of skill in the pertinent field would understand a term. See Phillips, 415 F.3d at 1318 ("[E]xtrinsic evidence in the form of expert testimony can be useful to . . . establish that a particular term in the patent or the prior art has a particular meaning in the pertinent field."); see also Symantec Corp. v. Computer Assocs. Int'l, Inc., 522 F.3d 1279, 1289 n.3 (Fed. Cir. 2008). The district court did not err in holding that the phrase "cover layer having a Shore D hardness" refers to an on-the-ball hardness measurement.

II Obviousness

A

The jury returned a verdict finding that eight asserted claims of the Sullivan patents were not invalid for obviousness. Acushnet contends that the district court erred in failing to grant its motion for judgment as a matter of law that the asserted claims of the Sullivan patents would have been obvious.

We apply de novo the same JMOL standard applied by the district court to the jury verdict. See Caver v. City of Trenton, 420 F.3d 243, 262 (3d Cir. 2005); see also PharmaStem Therapeutics, Inc. v.

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[7] See also Trial Tr. 344:13-14 (Acushnet Senior Vice President of Research and Development William Morgan noting that "it was our standard practice at the time to measure the Shore D hardness directly on the golf ball").

Viacell, Inc., 491 F.3d 1342, 1359-60 (Fed. Cir. 2007). 2007). Although the ultimate question of obviousness is a legal issue reviewed de novo, see KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398, 427 (2007), the underlying findings of fact (whether implicit or explicit within the jury's verdict) are reviewed for substantial evidence, see Johns Hopkins Univ. v. Datascope Corp., 543 F.3d 1342, 1345 (Fed. Cir. 2008). We agree with the district court that, when viewed in the light most favorable to the verdict, the jury could have reasonably concluded that Acushnet failed to prove invalidity due to obviousness.

Acushnet frames the invention of the Sullivan patents as nothing more than a predictable and "obvious to try" variation of known elements (solid cores, ionomer-blend covers, polyurethane covers, and three-piece balls). See KSR, 550 U.S. at 416 (noting that a "combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results"); PharmaStem Therapeutics, 491 F.3d at 1360. Callaway, in contrast, argues that such analysis is inappropriate because the Sullivan patents disclose more than a rearrangement of prior art elements with each element predictably performing its same function in the new combination. Rather, Callaway contends that use of a soft polyurethane cover over a hard ionomer inner cover and a solid core, a construction not present in the prior art, "produce[s] a synergy and an important new result" over and beyond that which could be expected independently from each prior art element: namely, a true dual-personality ball. PI.-Appellee's Br. 28; see KSR, 550

U.S. at 416 (noting prior-art elements "work[ing] together in an unexpected and fruitful manner" as indicia of nonobviousness).

The evidence before the jury did not compel a finding that all claim limitations were present in the prior art. At trial, Acushnet sought to establish obviousness primarily through a combination of prior art three-piece balls with non-polyurethane outer covers (the ball taught by Proudfit and a similar ball marketed by Wilson, the Ultra Tour Balata), with the polyurethane covers of Wu or Molitor '751. JMOL Order, 585 F. Supp. 2d at 607. Callaway argues that the record contains ample evidence upon which the jury could have rationally concluded that these combinations did not in fact disclose or render obvious all limitations of the asserted claims.

The Sullivan patent claims require the polyurethane outer cover of the patented golf ball to have a Shore D hardness, as measured on the ball, no greater than 64. E.g., '293 patent col.5 ll.48-61. It is undisputed that none of the prior art references upon which Acushnet relied expressly discloses the requisite hardness limitation for a polyurethane golf-ball cover on a three-piece ball. Lacking direct evidence of the claimed limitation, Acushnet instead relied on indirect evidence to attempt to establish the existence of the claimed hardness limitation in the prior art. It first argued that Molitor '751, which discloses a two-piece ball with a core and a polyurethane cover, demonstrates the necessary hardness because that patent's specification states that the polyurethane-blend cover of the Molitor '751

ball should have "a shore C hardness less than 85, preferably 70-80, and most preferably 72-76." Molitor '751 col.2 ll.33-39 (emphasis added); id.col.7 ll.65-68.

Callaway maintains that Molitor '751's disclosure of a Shore C hardness is insufficient to teach an on-the-ball Shore D hardness less than 64. There is no dispute that a hardness measurement taken with a size "C" indentor will vary from a measurement of the same material taken with a size "D" indentor; that is, a Shore C measurement cannot be precisely converted mathematically into a Shore D measurement or vice-versa. However, while acknowledging that no simple linear relationship exists between the two types of measurements, Acushnet argues that one of skill in the art would have understood that approximate comparisons can be drawn between the scales. Indeed, Acushnet argues, the Sullivan patents themselves contain statements drawing such comparisons. E.g., '293 patent col.3 ll.50-54 (describing layer that "has a Shore D hardness of about 45 (i.e., Shore C hardness of about 65)"). Acushnet thus contends that even if a precise conversion between the scales is not possible, a golf ball designer would have recognized that a Shore C hardness of 72-76 would be something less than Shore D 64. In support of this specific comparison, it introduced the "comparison chart" from the ASTM D-2240 standard showing approximate ranges for measurements taken with different size indentors, as well as expert testimony that Shore C 72-76 would be approximately Shore D 55.

Although the jury could have accepted Acushnet's argument that the Shore C range disclosed in Molitor '751 would have been equivalent to an on-the-ball hardness measurement no greater than Shore D 64, we cannot say that as a matter of law the jury was required to do so. Substantial evidence supports the contrary position. Most notably, the ASTM "comparison chart" upon which Acushnet relied states plainly on its face that "[t]his is not and cannot be used as a conversion reference." ASTM D-2240, at 1. The standard further cautions that "there may be no simple relationship between the results obtained with one type of [indentor] and those obtained with another type," undercutting Acushnet's argument that a material measuring Shore C 72 would necessarily measure 64 or less if tested with a type D indentor. Id. see also Trial Tr. 1162:3-24 (testimony of Callaway's expert, Dr. Risen, that accurate Shore C to Shore D conversions were not possible).[8]

Equally importantly, the Shore C range disclosed by Molitor '751 indicates a desired hardness measurement of the cover on a two-piece ball, rather than on the cover of a three-piece ball with a hard ionomer-resin inner cover layer. Testimony at trial established that the hardness

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[8] To be sure, there was contrary evidence as well, including examples of Shore C to Shore D comparisons in the Sullivan patents and evidence, as noted above, that such a comparison was made in the course of the patents' prosecution. See, e.g., '293 patent col.3 ll.51-53. This evidence, however, did not rise to the level of an admission that an accurate conversion between Shore C and Shore D is always possible.

measurement of a material depends to some degree on what is underneath the material being tested, such that an on-the-ball measurement of a thin polyurethane cover with a hard layer underneath is likely to be harder than an off-the-ball. measurement. Acushnet's witness, Jeff Dalton, agreed that "what's underneath the layer you're measuring can also influence the measurement." Trial Tr. 516:17-18; see also id. at 516:23-24 (agreeing that thin covers are more subject to such influence than thick covers); id. at 517:1-12 (agreeing that on-the-ball measurements are often harder than off-the-ball measurements). Acushnet's expert, Dr. Statz, similarly agreed that hardness measurements could be impacted by a number of factors, including thickness and the material composition of adjacent layers. Trial Tr. 720:6-19; id.616:8-9 (noting that "the hardness will go up in the case of a thinner layer on another material"). The jury was entitled to determine that the imprecision of the ASTM chart, coupled with uncertainty as to how much additional hardness would be imparted by a hard intermediate cover layer, was sufficient to undermine Acushnet's claim that the Shore C hardness of 72-76 present in the prior art would necessarily translate to an on-the-ball Shore D hardness no greater than 64 on a three-piece, two-cover ball.

Second, Acushnet contended that the Wu patent demonstrates the necessary hardness limitation, because expert testimony established that the polyurethane cover material it teaches has a Shore D hardness of about 48 when measured off the ball, or of about 56 when measured on the single-

cover golf ball discussed in the patent. But while Wu discloses the hardness of the polyurethane material itself, and an on-the-ball hardness of Shore D 56, it (like Molitor '751) is not directed to a three-piece ball having a relatively hard ionomer-resin inner cover layer. As noted, evidence at trial showed that the measured hardness of a thin outer cover layer is impacted by the hardness and composition of the underlying layer. Thus, as with Molitor '751, the jury could have reasonably found that Acushnet failed to show that the necessary hardness limitation was known in the prior art.

In summary, whether the prior art disclosed the necessary hardness limitation claimed in the Sullivan patents was an issue of fact genuinely contested before the jury. The district court did not err in concluding that substantial evidence supports the jury's implicit resolution of that factual issue in Callaway's favor.

B

Acushnet also challenges two subsidiary evidentiary rulings made by the district court in the course of the trial on obviousness. We review the district court's evidentiary rulings for abuse of discretion. In re Paoli R.R. Yard PCB Litig., 35 F.3d 717, 749 (3d Cir. 1994).

First, Acushnet challenges the exclusion of testimony concerning measurements performed on certain test golf balls prepared in anticipation of trial. The test balls in question were assembled using elements from various prior art references; for

example, Acushnet created a ball with Proudfit's solid core and ionomer-blend inner cover, but with the addition of the polyurethane outer cover taught by Molitor '751. Acushnet sought to have a materials expert, Dr. MacKnight, testify as to the testing of the balls in order to demonstrate that the Shore D hardness limitations of the asserted claims were inherently met by golf balls made through combination of the prior art. Before trial, however, the district court noted that "Dr. MacKnight neither prepared nor tested" the balls, and hence could not actually vouch for the reliability of the test results. Callaway Golf Co. v. Acushnet Co., No. 06-CV-091, 2007 WL 4165401, at "1 (D. Del. Nov. 20, 2007) ("Daubert Order"). Accordingly, it excluded Dr. MacKnight's testimony and the test results "to the extent that the reliability of the test results derives from Dr. MacKnight's voucher." Id.

At trial, Acushnet again tried to introduce the test ball evidence, this time proffering foundational testimony from the Acushnet employee who supervised production of the test balls and delivered them to the independent laboratory for testing. The district court again excluded the evidence, however, apparently under Rule 403 of the Federal Rules of Evidence. Although the district court did not formally state the basis for its ruling, it noted at sidebar that the introduction of evidence of "a physical object that combines the prior art" ran a high risk of causing "undue prejudice" by leading the jury to give Acushnet's obviousness argument excessive weight. Trial Tr. 749:3-13. It further noted that "this testimony. . . has a danger of outweighing

what was really in the art at the time." Id. at 754:11-12. On appeal, Acushnet challenges the exclusion of the test ball evidence at trial.

We see no error in the district court's exclusion of the test-ball testimony on the issue of obviousness. The introduction of evidence concerning the test balls ran a substantial risk of leading the jury towards the inappropriate use of hindsight and towards unduly weighting Acushnet's arguments concerning motivation to combine the prior art; the likely outcome, as the district court perceived it, was the jury understanding Acushnet's argument concerning the combination of prior art as "[w]e did it, here it is, anyone can do this." Trial Tr. 749:8-9. Nor does the record indicate that Callaway made arguments that would have been directly refuted by the test ball evidence, such as a contention that it would have been impossible to combine the prior art. The district court was in the best position in this case to determine whether in the context of the obviousness trial the danger of unfair prejudice outweighed the probative value of the test ball evidence. We cannot say that excluding the evidence here was an abuse of discretion. See Fed. R. Evid. 403; see also Young Dental Mfg. Co. v. Q3 Special Prods., Inc., 112 F.3d 1137, 1145-46 (Fed. Cir. 1997).

Second, Acushnet contends that the district court abused its discretion by refusing to allow it to introduce before the jury evidence of a parallel inter partes re- examination of the Sullivan patents proceeding before the Patent and Trademark Office ("PTO"). In the course of the re-examination, before

trial, the PTO rejected each asserted claim of the Sullivan patents. In doing so, the PTO relied on essentially the same prior art relied upon by Acushnet in this litigation. Acushnet sought to introduce the re-examination at trial to counter Callaway's statements in opening arguments that, by approving the four Sullivan patents, "three patent examiners" had concluded that they were valid. The district court rejected Acushnet's request, stating that giving evidence of the re-examination to the jury would be "really confusing," not least because the results of the non-final parallel proceeding were "not binding" on the district court. Trial Tr. 354:16-17. The court did, however, preclude Callaway from further bolstering the validity of the patents by further repeating the "three examiners" statements.

On appeal, Acushnet argues that it must be granted a new trial because "allow[ing] Callaway to argue . . . that multiple patent examiners had reviewed the patents . . . without revealing that the asserted claims stood rejected by multiple other examiners . . . was entirely unfair." Def.-Appellant's Br. 62. Acushnet is correct that Callaway's opening statement, while truthful, nevertheless had potential to mislead the jury by implying that every expert examiner to have considered the patents had concluded that they were valid. However, Acushnet does not appear to have actually objected to Callaway's opening argument itself (specifically, the "three patent examiners" statements) as unfairly prejudicial. Acushnet instead contended only that the argument "provided perhaps the most compelling reason yet to admit th[e re-examination] evidence"

and that the district court should have allowed the re-examination evidence before the jury.

On this point the district court did not err. The non-final re-examination determinations were of little relevance to the jury's independent deliberations on the factual issues underlying the question of obviousness. In contrast, the risk of jury confusion if evidence of the non-final PTO proceedings were introduced was high. The district court did not abuse its discretion in concluding that the prejudicial nature of evidence concerning the ongoing parallel re-examination proceeding outweighed whatever marginal probative or corrective value it might have had in this case.

III Inconsistent Jury Verdicts on Obviousness

Acushnet contends that a new trial as to obviousness is required because the district court denied its timely request for JMOL or a new trial, instead entering judgment on irreconcilably inconsistent jury verdicts. See JMOL Order, 585 F. Supp. 2d at 617. The jury ruled dependent claim 5 of the '293 patent invalid for obviousness while finding all other asserted claims, including independent claim 4 from which claim 5 depends, not invalid.

At the outset, Callaway contends that Acushnet waived its objection to the allegedly inconsistent verdicts by failing to object before the jury was released. We review inconsistent verdicts, an issue not unique to patent law, under regional circuit law. Mycogen Plant Sci., Inc. v. Monsanto Co.,

243 F.3d 1316, 1325 (Fed. Cir. 2001). The Third Circuit has not directly spoken to the question of whether an objection is required to preserve error in the face of inconsistent general verdicts, and how that court would rule if squarely presented with the issue is not entirely clear.[9] We need not resolve this question, however, because even assuming that such an objection is required, it is apparent that Acushnet did not waive its claim here.

After the jury was polled at the conclusion of the trial, counsel for Callaway (not Acushnet) called for a sidebar and the following exchange occurred:

> [Callaway]: Your Honor, the issue is the one claim which they did find invalid is a dependent claim.
>
> THE COURT: [A]ll right. Do you want to send them back?
>
> [Callaway]: I'm not sure that they understand-
>
> THE COURT: I'm not going to do this. All right?
>
> [Callaway]: I just wanted to raise it.

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[9] Compare Mallev-Duff & Assocs., Inc. v. Crown Life Ins. Co., 734 F.2d 133, 144-45 (3d Cir. 1984) (no objection required for inconsistent special verdicts under Rule 49(a)), and Simmons v. City of Philadelphia, 947 F.2d 1042, 1056-57 (3d Cir. 1991) (suggesting in dicta that objection is required for inconsistent interrogatories under Rule, 49(b)), with Mosely v. Wilson, 102 F.3d 85, 90 (3d Cir. 1996) ("Rule 49(b) does not address the issue before us here-that of inconsistent general verdicts. We have found little precedent on this issue . . . .").

Trial Tr. 1427:22-1428:5. The jury was then excused without objection from Acushnet's counsel. Though it did not object on the record, Acushnet contends that because the court rendered a final decision in response to Callaway's objection-"I'm not going to do this. All right?"-no purpose would have been served by repeating the point.

The district court evidently concluded here that there was no waiver. Callaway argued waiver in its post-trial briefing before the district court, but the district court did not adopt Callaway's waiver theory, stating that it was "sensitive to [Acushnet's] argument that it was essentially 'beaten to the punch' by [Callaway's] counsel and did not feel the need to reiterate the same concerns following the court's decision." JMOL Order. 585 F. Supp. 2d at 616. The district court then proceeded to decide Acushnet's claim concerning the inconsistency on the merits. Id. at 616-17. The district court here was in the best position to evaluate the import of its statements at sidebar, and we see no basis for disturbing its determination that a waiver did not occur.

Turning to the merits, we first must determine whether the verdicts were in fact inconsistent. There is no dispute that the verdicts with respect to claim 5 of the '293 patent (invalid) and claim 4 of that patent (not invalid) were inconsistent. A broader independent claim cannot be nonobvious where a dependent claim stemming from that independent claim is invalid for obviousness. See Ormco Corp. v. Align Tech., Inc., 498 F.3d 1307, 1319 (Fed. Cir.

2007). Callaway contends, however, that the verdict is not irreconcilably inconsistent with regard to five of the remaining asserted claims-claim I of the '293 patent, claims 1-3 of the '156 patent, and claim 1of the '873 patent. The basis for Callaway's argument is that unlike claims 4 and 5 of the '293 patent, claim 5 of the '130 patent, and claim 3 of the '873 patent, which require the inner cover layer to be made of "an ionomer resin," those five claims require the inner cover to contain a "blend" of ionomer resins. Thus, Callaway argues, the jury could have rationally concluded that the "blend" claims were not obvious even if Claim 5, lacking a "blend" limitation, was obvious.

The district court properly rejected this theory, noting that Callaway's reasoning, which would at best render the verdict "consistent with respect to the 5 'blend' claims, but. . . inconsistent with respect to the four 'non-blend' claims," did "not give the court sufficient means to reconcile the verdicts." JMOL Order, 585 F. Supp. 2d at 616. Reconciliation of inconsistent verdicts must be consistent with the evidence and theories adduced at trial. See Malley-Duff, 734 F.2d at 145-46. The contents of the four Sullivan patents, which share essentially the same specification and claim priority to the same parent application, were presented to the jury as a group. The evidence and theories at trial were also advanced concerning the patents as a group, not on a claim-by-claim basis. No party at trial asserted any patentable difference among the asserted clams before the jury or otherwise meaningfully distinguished between claims on the basis of the

"blend" limitation.

The district court recognized that under Third Circuit law a court faced with inconsistent general verdicts after the jury is dismissed has an obligation to attempt to read the verdicts in a manner that will resolve the inconsistencies. JMOL Order, 585 F. Supp. 2d at 616-17; see Mosely, 102 F.3d at 90. Although the district court agreed with Acushnet that the verdicts here were genuinely and irreconcilably inconsistent, it nevertheless denied Acushnet's motion for a new trial. The court noted that Acushnet "stipulated that it infringes each of the Sullivan patents; three of which were held valid by the jury without reservation," and that the inconsistency therefore was harmless. JMOL Order, 585 F. Supp. 2d at 617.

This reasoning is flawed. Although it is true that the jury found "without reservation" that eight claims were not invalid, it is equally true that the jury found claim 5 invalid without reservation. Moreover, the evidence at trial was such that the jury could have rationally reached either verdict with regard to the asserted claims; neither party was entitled to judgment as a matter of law. Under Third Circuit law, in a case where a reading of the verdicts that would solve the apparent inconsistency proves impossible and the evidence might support either of the two inconsistent verdicts, "'the appropriate remedy is ordinarily, not simply to accept one verdict and dismiss the other, but to order an entirely new trial.'" Mosely, 102 F.3d at 90 (quoting Los Angeles v. Heller, 475 U.S. 796, 806 (1986) (Stevens, J.,

dissenting)).[10] In these circumstances, Acushnet is correct that a new trial rather than entry of judgment was required as to claims 4 and 5 of the '293 patent.

In sum, we agree with Acushnet that the verdict form returned by the jury reflects an irreconcilable inconsistency. Accordingly, we vacate the judgment of the district court and remand for a new trial on obviousness.

IV Anticipation

As noted above, the district court granted summary judgment that the claims were not anticipated by Nesbitt. Nesbitt describes a three-piece ball with a core, a relatively hard ionomer-resin inner cover, and a relatively soft ionomer-resin outer cover. Summary Judgment Order, 523 F. Supp. 2d at 395. Although Nesbitt itself does not expressly disclose two limitations of the Sullivan claims (the use of polyurethane in the outer cover and the use of a blend of ionomer resins in the inner cover), Acushnet argued that Nesbitt contains these limitations because it incorporates Molitor '637 by reference. The relevant passage of Nesbitt describing

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[10] The Third Circuit has noted that in rare cases apparently inconsistent verdicts may be allowed to stand. Mosely, 102 F.3d at 90. That court has since clarified that "[t]hose circumstances are where the verdict appears to be the result of compromise as opposed to jury confusion." Acumed LLC v. Advanced Surgical Servs., Inc 561 F.3d 199, 217 n.13 (3d Cir. 2009) (quotation marks omitted). There is no contention that the verdict here could plausibly be considered such a compromise.

the materials that may be used in the cover layers of the Nesbitt golf ball is as follows:

> The inner, intermediate, or first layer or ply 14 and the outer cover, second layer or ply 16 or either of the layers may be cellular when formed of a foamed natural or synthetic polymeric material. Polymeric materials are preferably such as ionomer resins which are foamable. Reference is made to the application Ser. No. 155,658, of Robert P. Molitor issued into U.S. Pat. No. 4,274,637 which describes a number of foamable compositions of a character which may be employed for one or both layers 14 and 16 for the golf ball of this invention.

Nesbitt col.3 ll.51-61 (emphases added). Molitor '637, in turn, undisputedly teaches that many foamable materials, including both polyurethane and ionomer-resin blends, may be used as golf ball cover materials:

> The range of synthetic polymeric materials which can be used in accordance with this invention, other than the above described Surlyn [ionomer] resins, is much broader than the range of natural materials. Suitable polymer materials which may be adapted for use in this invention are as follows:
>
> Homopolymeric and copolymeric substances, such as (1) vinyl resins . . .; (2) polyolefins such as polyethylene, polypropylene, polybutylene,

> transpolyisoprene, and the like . . . (3) polyurethanes . . .; (4) polyamides . . .; (5) polystyrene. . .; (6) acrylic resins . . .; (7) thermoplastic rubbers such as the urethanes. . .; and (8) polyphenylene oxide resins. . . . This list is not meant to be limiting or exhaustive, but merely illustrates the wide range of polymeric materials which may be employed in the present invention. Mixtures of the above described material may also be used.

Molitor '637 col. 5 ll.33-55 (emphases added); see also id.col.1 ll.44-45 ("Mixtures of various [ionomer] resins as cover stock materials are likewise highly advantageous.").

The district court rejected Acushnet's argument, holding that Nesbitt failed to specifically incorporate polyurethane and ionomer-resin blends from Molitor '637. Summary Judgment Order, 523 F. Supp. 2d at 396. Without the benefit of Molitor's teachings, Nesbitt failed to anticipate as a matter of law. The district court therefore granted summary judgment of no anticipation. Id. at 398. On appeal, Acushnet contends the district court erred in holding that Nesbitt does not incorporate Molitor

We review the grant of summary judgment de novo. Whether material is incorporated by reference into a host document is a question of law. Advanced Display Sys., Inc. v. Kent State Univ., 212 F.3d 1272, 1283 (Fed. Cir. 2000). A patent claim is invalid due to anticipation if, within "the four corners of a single, prior art document. . . every element of the claimed

invention [is described], either expressly or inherently, such that a person of ordinary skill in the art could practice the invention without undue experimentation." Id. at 1282. However, "[m]aterial not explicitly contained in the single, prior art document may still be considered for purposes of anticipation if that material is incorporated by reference into the document." Id.

To incorporate matter by reference, a host document must contain language "clearly identifying the subject matter which is incorporated and where it is to be found"; a "mere reference to another application, or patent, or publication is not an incorporation of anything therein . . . ." In re de Seversky, 474 F.2d 671, 674 (CCPA 1973). Put differently, "the host document must identify with detailed particularity what specific material it incorporates and clearly indicate where that material is found in the various documents." Adv. Display Sys., 212 F.3d at 1282. Nesbitt identifies with specificity both what material is being incorporated by reference (foamable polymeric compositions suitable for golf ball cover layers) and where it may be found (the Molitor patent). Nesbitt col.3 ll.51-61. We have previously held that language nearly identical to that used in Nesbitt ("[r]eference is made to") can be sufficient to indicate to one of skill in the art that the referenced material is fully incorporated in the host document. See In re Voss, 557 F.2d 812, 815-16 (CCPA 1977); In re Hughes, 550 F.2d 1273, 1275-76 (CCPA 1977). Here, however, the district court held that Nesbitt satisfies the requirements for incorporation only with regard to the ionomer resins

disclosed in Molitor, stating that "Molitor '673 is mentioned in Nesbitt to identify examples of suitable resins, preferably ionomer resins, and not to specifically incorporate polyurethane." Summary Judgment Order, 523 F. Supp. 2d at 396.

Callaway in support of the district court argues that even if Nesbitt incorporates Molitor '637 as to ionomer resins, it does not incorporate with respect to the use of polyurethane for the outer cover because it refers to the use of ionomer resins as "preferabl[e]." Nesbitt col.3 l.55. Polyurethane is not an ionomer resin. Although Molitor '637 does state that ionomer resins are the preferable material for such use, on its face the reference to Molitor '637 in Nesbitt is not limited to those resins. Rather, Nesbitt states broadly that the layers of the golf ball disclosed therein may be made from a "natural or synthetic polymeric material." Id. col.3 ll.53-54. Nesbitt goes on to directly indicate that such materials include all of the foamable polymeric materials described in Molitor: "Reference is made to [Molitor '637] which describes a number of foamable compositions of a character which may be employed for one or both layers. . . for the golf ball of this invention." Id. col.3 ll.56-61 (emphasis added). Polyurethane is a foamable composition. Nesbitt incorporates the entire list of foamable compounds ("a number of foamable compositions") disclosed by Molitor '637 as appropriate materials for use in golf ball cover layers, including polyurethane and mixtures of ionomer resins.. . We perceive no basis to differentiate between incorporation of the ionomeric resins disclosed by Molitor '637 and the other

compositions in the list, including polyurethane.' Accordingly, we hold that Nesbitt incorporates by reference the potential cover layer materials described in Molitor '637, including polyurethane and ionomer resin blends.

Callaway contends that even if the district court erred in concluding that Nesbitt does not incorporate Molitor '637, summary judgment of no anticipation was still appropriate. That issue was not addressed by the district court, and it is not clear to us that Callaway properly raised this issue in its motion for summary judgment before that court. We are therefore reluctant to consider this issue on appeal. Nothing we say here precludes the district court from permitting Callaway to file a new motion for summary judgment on that issue, if the district court thinks it appropriate.

One matter, however, requires our attention. Callaway contends that the trial court properly excluded the test ball evidence on the issue of anticipation. On this point we disagree. This requires us to examine the grounds for the district court's decision in this respect. First, the district court refused to consider the test ball evidence on the issue of anticipation because it found that Nesbitt did not incorporate the Molitor '637 reference, and that the test balls therefore did not embody any single item of anticipatory prior art. Summary Judgment Order, 523 F. Supp. 2d at 400 ("The balls . . . were neither completely representative of Nesbitt, nor were they completely representative of Proudfit . . . ."). This ground for excluding the evidence necessarily fails in

light of our holding that Nesbitt does incorporate Molitor.[11] Second, with respect to obviousness, the district court refused to allow the test ball evidence at trial because presentation of the evidence could lead the jury to give undue weight to Acushnet's arguments concerning motivation to combine and obviousness. This ground is inapplicable to Acushnet's anticipation argument, where motivation to combine is not an issue. Third, at summary judgment, the district court excluded the testimony of Acushnet's expert, Dr. MacKnight, on the ground that MacKnight had not had sufficient involvement in the preparation and testing of the balls to vouch for their reliability. Daubert Order, 2007 WL 4165401, at *1 ("Dr. MacKnight neither prepared nor tested anything. . . . [T]o the extent that the reliability of the test results derives from Dr. MacKnight's voucher, such evidence is excluded"). As discussed above we find no error in the district court's ruling, but the fact remains that at trial Acushnet also proffered the testimony of Jeff Dalton (who supervised preparation of the balls) and of an employee of the testing laboratory. On remand, that testimony may be sufficient to authenticate the balls, and support the admission into evidence of balls designed to replicate Nesbitt on the issue of anticipation.

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[11] Indeed, while challenging Acushnet's test balls as an agglomeration of prior art elements, Callaway appears to recognize that re-creations or "models of balls described in individual prior art references" may be relevant. Pl.-Appellee's Br. 58; see id. at 25.

Because Nesbitt incorporates the compositions taught by Molitor '637, we reverse the judgment of the district court granting summary judgment to Callaway and remand for further proceedings on that issue.

CONCLUSION

For the reasons discussed above, the judgment of the district court is affirmed- in-part, reversed-in-part, and vacated-in-part. The permanent injunction against Acushnet entered on November 10, 2008, is vacated and the case is remanded for further proceedings not inconsistent with this opinion.

AFFIRMED-IN-PART, REVERSED-IN-PART, VACATED-IN-PART, and REMANDED

COSTS

No costs.

2009-1076

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

06-091-SLR

CALLAWAY GOLF COMPANY,

Plaintiff,

v.

ACUSHNET COMPANY,

Defendant.

ORDER

At Wilmington, this 10th day of November, 2008, consistent with the memorandum opinion issued this same date;

IT IS ORDERED that:

1. Defendant's motion for judgment as a matter of law or, in the alternative, for a new trial (D.I. 409) is denied.

2. Plaintiff's motion for a permanent

injunction (D.I. 411) is granted.

3. Defendant's motion to stay the injunction pending appeal (D.I. 440) is denied.

United State District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

06-091-SLR

CALLAWAY GOLF COMPANY,

Plaintiff,

v.

ACUSHNET COMPANY,

Defendant.

JUDGMENT IN A CIVIL CASE

For reasons stated in the jury verdict of December 14, 2007;

IT IS ORDERED AND ADJUDGED that judgment be and is hereby entered in favor of Acushnet Company with respect to the invalidity of asserted claim 5 of U.S. Patent No. 6,210,293 and for Callaway Golf Company in all other respects.

United State District Judge

Dated: December 19, 2007

(By) Deputy Clerk

APPENDIX C

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

06-091-SLR

CALLAWAY GOLF COMPANY,

Plaintiff,

v.

ACUSHNET COMPANY,

Defendant.

ORDER

WHEREAS Defendant Acushnet Company on December 3, 2007 stipulated that its Pro V1® line of products, collectively, are covered by and infringe the following claims of Callaway Golf's patents: claims 1, 4, and 5 of U.S. Patent No. 6,210,293; claims 1, 2, and 3 of U.S. Patent No. 6,503,156; claim 5 of U.S. Patent No. 6,506,130; and claims 1 and 3 of U.S. Patent No. 6,595,873 [D.I. 367]; and

WHEREAS the Jury returned a verdict on December 14, 2007 upholding the validity of claims 1 and 4 of U.S. Patent No. 6,210,293; claims 1, 2, and 3 of U.S. Patent No. 6,503,156; claim 5 of U.S. Patent No. 6,506,130; and claims 1 and 3 of U.S. Patent No. 6,595,873 ("the Relevant Patent Claims") [D.I. 398]; and

WHEREAS, consistent with the Jury's verdict, the Court entered judgment in Callaway Golf's favor on December 19, 2007 with respect to the validity of the Relevant Patent Claims [D.I. 404];

IT IS HEREBY ORDERED, this 10th day of November, 2008, that:

1. Pursuant to 35 U.S.C. § 283, Acushnet and its successors, assigns, officers, agents, servants, employees, attorneys, and persons in active concert or participation with them, including any affiliated

entities, during the term of the patents-in-suit (U.S. Patent Nos. 6,210,293; 6,503,156; 6,506,130; and 6,595,873), are hereby ENJOINED and RESTRAINED from infringing and from inducing, contributing to, or otherwise causing the infringement of the Relevant Patent Claims by making, using, selling, or offering to sell in the United States, or importing into the United States, or by inducing, contributing to, or otherwise causing the performance of any such activities by third-parties with regard to, any of the Pro V1® line of golf balls including the Pro V1®, Pro V1x®, Pro VI*®, or any variations thereof not more than colorably different (collectively "the Pro Vl® products").

2. Acushnet's professional golfers currently under contract are permitted to play Pro V1® products through the end of the 2008 calendar year.

United States District Judge

APPENDIX D

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

06-091-SLR

CALLAWAY GOLF COMPANY,

Plaintiff,

v.

ACUSHNET COMPANY,

Defendant.

Thomas L. Halkowski, Esquire of Fish & Richardson P.C., Wilmington, Delaware. Counsel for Plaintiff. Of Counsel: Frank E. Scherkenbach, Esquire of Fish and Richardson P.C., Boston, Massachusetts; Roger A. Denning, Esquire of Fish and Richardson P.C., San Diego, California.

Richard L. Horwitz, Esquire and David E. Moore, Esquire of Potter Anderson & Corroon LLP, Wilmington, Delaware. Counsel for Defendant. Of Counsel: Joseph P. Lavelle, Esquire, Kenneth W. Donnelly, Esquire, and Brian A. Rosenthal, Esquire of Howrey LLP, Washington, D.C.

MEMORANDUM OPINION

Dated: November 10, 2008
Wilmington, Delaware

Robinson, District Judge

I. INTRODUCTION

Callaway Golf Company ("plaintiff") filed this action against Acushnet Company ("defendant") on February 9, 2006, alleging infringement of U.S. Patent Nos. 6,506,130 ("the '130 patent"), 6,503,156 ("the '156 patent"), 6,210,293 ("the '293 patent"), and 6,595,873 ("the '873 patent") (collectively, "the Sullivan patents"). (D.I. 1) Plaintiff alleged that defendant's Titleist® Pro V1® brand golf balls embody the technology claimed in one or more claims of the asserted patents. (*Id.* at ¶¶17-21) The parties filed motions for summary judgment. (D.I. 197, 200, 201, 213, 215) On November 20, 2007, the court issued its claim construction decision (D.I. 345) and issued its memorandum opinion on the summary judgment motions (D.I. 347), in which it granted plaintiff's motions for summary judgment of no anticipation and for breach of contract, denied defendant's motions for summary judgment of invalidity and no breach of contract, and denied defendant's motion for partial summary judgment that U.S. Patent No. 4,274,637 to Molitor ("Molitor '637") was incorporated by reference into a particular piece of prior art. Prior to trial, defendant stipulated that its Pro V1® golf balls infringe claims 1, 4 and 5 of the '293 patent, claims 1-3 of the '156 patent, claim 5 of the '130 patent, and claims 1 and 3 of the '873 patent, and that its Titleist® Pro V1x® and Pro V1*® golf balls infringe all of the foregoing claims, with the exception of claim 1 of the '293 patent. (D.I. 367) A jury trial was held between December 5 and

14, 2007 on the issue of validity of each of the asserted claims, due to obviousness. The jury returned a verdict that each asserted claim was valid but one – claim 5 of the '293 patent – which it found invalid. (D.I. 399) Currently before the court are several motions: defendant's motion for judgment as a matter of law ("JMOL") or, in the alternative, for a new trial (D.I. 409); plaintiff's motion for a permanent injunction (D.I. 411); and defendant's motion to stay any permanent injunction issued by this court pending appeal (D.I. 440). The court has jurisdiction over these issues pursuant to 28 U.S.C. §§ 1331, 1338(a) and 1400(b).

II. BACKGROUND

A. Technology and Patents at Issue

As discussed in the court's previous opinion (D.I. 347), this case involves golf ball technology. Golf balls are typically identified as two-piece or three-piece balls. Two-piece balls have a core, which is either solid or "wound," and an outer layer. A core that is considered solid is made of rubber and can be one solid piece or multiple layers. A wound core is made of elastic windings wrapped around either a solid or liquid-filled center. Three-piece balls have an additional layer covering the core, so that the ball is characterized as having a core, an inner cover layer and an outer cover layer.

The challenge faced by golf ball designers has been to create a ball that is both capable of traveling great distances and of achieving the desired "feel," or

spin. Historically, balls would have to be very hard in order to achieve distance when struck by a fast-moving driver. To achieve spin, however, balls had to be softer so that they would better grip to the face of angled clubs such as irons. The patents at issue present "dual personality" balls that achieve a marriage of these diametrically-opposed objectives.

Michael J. Sullivan is the sole named inventor on each of the '130, '156, '293, and '873 patents in suit (collectively, the "Sullivan patents"). The Sullivan patents have substantially identical specifications. Each of the underlying (continuation) applications were filed in 1999 (the '293 patent) and 2001 (the '130, '156, and '873 patents); all claim priority to U.S. Patent Application No. 08/070,510, filed June 1, 1993. The Sullivan patents issued to Spalding Sports Worldwide, Inc. ("Spalding") in April 2001 (the '293 patent) and in 2003.

The Sullivan patents each claim a multi-layer golf ball comprising a core, an inner cover layer made of a low acid ionomer, and an outer cover layer made of polyurethane.[1] The claims differentiate between the hardness and thickness of these layers. Claim 1 of the '293 patent claims:

> 1. A golf ball comprising: a core; an inner cover layer having a Shore D hardness of 60 or more molded on said core, said inner cover layer having a thickness of 0.100 to

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[1] Claims 1 and 2 of the '130 patent do not require that the outer cover layer include polyurethane. These claims were not at issue in the present suit.

> 0.010 inches, said inner cover layer comprising a blend of two or more low acid ionomer resins containing no more than 16% by weight of an alpha, beta-unsaturated carboxylic acid; and an outer cover layer having a Shore D hardness of 64 or less molded on said inner cover layer, said outer cover layer having a thickness of 0.010 to 0.070 inches, and said outer cover layer comprising a relatively soft polyurethane material.

Claim 4 of the '293 patent is also an independent claim, which reads:

> 4. A multi-layer golf ball comprising: a spherical core; an inner cover layer having Shore D hardness of about 60 or more molded over said spherical core, said inner cover layer comprising an ionomeric resin including no more than 16% by weight of an alpha, beta-unsaturated carboxylic acid and having a modulus of from about 15,000 to about 70,000 psi; and an outer cover layer having a Shore D hardness of about 64 or less disposed about said inner cover layer and defining a plurality of dimples to form a multi-layer golf ball, said outer cover layer comprising polyurethane based material.

Claim 5 of the '293 patent is dependant on claim 4, and also requires that the "inner cover layer has a thickness of about 0.100 to about 0.010 inches

and said outer cover layer has a thickness of about 0.010 to about 0.070 inches, said golf ball having an overall diameter of 1.680 inches or more."

By way of contrast, claim 1 of the '156 patent claims:

> 1. A golf ball comprising: a core; an inner cover layer disposed on said core, said inner cover layer having a Shore D hardness of at least 60, said inner cover layer comprising a blend of two or more low acid ionomer resins, each containing no more than 16% by weight of an alpha, beta-unsaturated carboxylic acid; and an outer cover layer disposed on said inner cover layer, said outer cover layer having a Shore D hardness of about 64 or less, a thickness of from about 0.01 to about 0.07 inches, and comprising a polyurethane material.

Claims 2 and 3 of the '156 patent are dependant on claim 1. Claim 2 adds the limitation that the "outer cover layer has a thickness of from about 0.01 to about 0.05 inches"; claim 3 increases these same thickness ranges to "about 0.03 to about 0.06 inches."

Claim 5 of the '130 patent reads as follows:

> 5. A multi-layer golf ball comprising: a spherical core; an inner cover layer having a Shore D hardness of about 60 or more

> molded over said spherical core, said inner cover layer comprising an ionomeric resin including no more than 16% by weight of an alpha, beta-unsaturated carboxylic acid and having a modulus of from about 15,000 to about 70,000 psi; an outer cover layer having a Shore D hardness of about 64 or less molded over said spherical intermediate ball to form a multi-layer golf ball, the outer layer comprising polyurethane based material.

Finally, plaintiff asserted two independent claims of the '873 patent, claims 1 and 3, which are reproduced below.

> 1. A golf ball comprising: a core; an inner cover layer disposed on said core, said inner cover layer having a thickness of from about 0.100 to about 0.010 inches, said inner cover layer comprising a blend of two or more ionomer resins, at least one of which contains no more than 16% by weight of an alpha, beta-unsaturated carboxylic acid; and an outer cover layer disposed on said inner cover layer, said outer cover layer having a thickness of 0.010 to 0.070 inches, and said outer cover layer comprising a polyurethane material, wherein said golf ball has an overall diameter of 1.680 inches or more, said inner cover layer having a Shore D. hardness of at least 60, and said outer cover layer having a Shore D hardness of

less than 64.

3. A multi-layer golf ball comprising: a spherical core; an inner cover layer having Shore D hardness of at least 60 disposed on said spherical core, said inner cover layer comprising an ionomeric resin including no more than 16% by weight of an alpha, beta-unsaturated carboxylic acid and having a modulus of from about 15,000 to about 70,000 psi; and an outer cover layer having a Shore D hardness of about 64 or less disposed about said inner cover layer and defining a plurality of dimples to form a multi-layer golf ball, said outer cover layer comprising a polyurethane based material and said outer cover layer having a thickness of from about 0.010 to about 0.070 inches.

C. Products

Plaintiff and defendant have both had success selling multi-layer golf balls. Plaintiff markets several balls embodying the patented technology, including the Callaway Golf® Rule 35®, the CTU 30®, Callaway Golf® HX®, Ben Hogan®, Strata®, Tour Ace®, and Top-Flite® balls. Defendant markets and sells golf balls under the Titleist® brand, including the Titleist Pro VI®, Pro Vlx®, and Pro V1*® series of balls that defendant stipulated infringe one or more of the Sullivan patents.

D. Trial

Defendants, having the burden of proof, presented their invalidity case to a jury between December 5 and 14, 2007. In its case-in-chief, defendant called several witnesses: (1) Mr. Jerry Bellis, defendant's Executive Vice President of Sales and Marketing; (2) Mr. William Morgan, defendant's Senior Vice President of Research and Development for golf balls; (3) Mr. Jeff Dalton, defendant's Vice President of Intellectual Property; (4) Mr. James Proudfit, inventor of U.S. Patent No. 5,314,187 ("Proudfit '187"), a critical prior art reference in the case (by deposition); (5) Mr. Sullivan, inventor of the Sullivan patents, who has been employed with defendant since 2000; (6) Mr. Scott White, Callaway's Director of Marketing (by deposition); and (7) Mr. Joseph Nauman, defendant's Chief Legal Officer. Defendant also called its expert witness, Dr. Robert J. Statz, a retired du Pont Ph.D. polymer chemist, who testified, *inter alia*, that the Sullivan

patents were obvious in view of Proudfit '187 in view of either U.S. Patent No. 4,674,751 to Molitor et. al. ("Molitor '751") or U.S. Patent No. 5,334,673 to Wu ("Wu"), and that the Sullivan patents were obvious in view of the Wilson Ultra Tour Balata golf ball in combination with either Molitor '751 or Wu. Plaintiff thereafter called several rebuttal witnesses: (1) Mr. Tom Kennedy, plaintiffs Senior Vice President of Intellectual Property Development; (2) Mr. Mike Yagley, plaintiff's Vice President of Business Innovations (and former Vice President of Product Management for Callaway golf balls); (3) Mr. William Burke, defendant's Chief Financial Officer (by deposition); (4) Mr. Edmund Hebert, defendant's Senior Manager of Product Development for advanced concepts (by deposition); (5) Ms. Mary Louise Bohn, defendant's Vice President of Advertising and Communications (by deposition); (6) Mr. Chris Cavallaro, defendant's Senior Product Development Manager responsible for the Pro V1® family of products (by deposition); and (7) Mr. Dennis Nesbitt, named inventor on prior art golf ball patents (by deposition). Plaintiff also presented the testimony of its own expert, Dr. William Risen, a Ph.D. chemist at Brown University who has consulted with plaintiff and its predecessor on golf ball applications for 48 years. Dr. Risen rebutted Dr. Statz's testimony. At the close of the evidence, the jury returned a verdict that each asserted claim was valid but one – claim 5 of the '293 patent – which it found invalid. (D.I.399)

III. LEGAL STANDARDS

A. Motion for Judgment as a Matter of Law

To prevail on a renewed motion for judgment as a matter of law following a jury trial under Federal Rule of Civil Procedure 50(b), the moving party "'must show that the jury's findings, presumed or express, are not supported by substantial evidence or, if they were, that the legal conclusions implied [by] the jury's verdict cannot in law be supported by those findings.'" *Pannu v. Iolab Corp.*, 155 F.3d 1344, 1348 (Fed. Cir. 1998) (quoting *Perkin-Elmer Corp. v. Computenvision Corp.*, 732 F.2d 888, 893 (Fed. Cir. 1984)). "'Substantial' evidence is such relevant evidence from the record taken as a whole as might be acceptable by a reasonable mind as adequate to support the finding under review." *Perkin-Elmer Corp.*, 732 F.2d at 893. In assessing the sufficiency of the evidence, the court must give the non-moving party, "as [the] verdict winner, the benefit of all logical inferences that could be drawn from the evidence presented, resolve all conflicts in the evidence in his favor, and in general, view the record in the light most favorable to him." *Willamson v. Consol. Rail Corp.*, 926 F.2d 1344, 1348 (3d Cir. 1991); *Perkin-Elmer Corp.*, 732 F.2d at 893. The court may not determine the credibility of the witnesses nor "substitute its choice for that of the jury between conflicting elements of the evidence." *Id.* In summary, the court must determine whether the evidence reasonably supports the jury's verdict. *See Dawn Equip. Co. v. Kentucky Farms Inc.*, 140 F.3d 1009, 1014 (Fed. Cir. 1998).

B. Motion for a New Trial

The decision to grant or deny a new trial is within the sound discretion of the trial court and, unlike the standard for: determining judgment as a matter of law, the court need not view the evidence in the light most favorable to the verdict winner. *See Allied Chem. Corp. v. Daflon, Inc.*, 449 U.S. 33, 36 (1980). Federal Rule of Civil Procedure 59(a) provides, in pertinent part:

> A new trial may be granted to all or any of the parties and on all or part of the issues in an action in which there has been a trial by jury, for any of the reasons for which new trials have heretofore been granted in actions at law in the courts of the United States.

New trials are commonly granted in the following situations: (1) where the jury's verdict is against the clear weight of the evidence, and a new trial must be granted to prevent a miscarriage of justice; (2) where newly-discovered evidence surfaces that would likely alter the outcome of the trial; (3) where improper conduct by an attorney or the court unfairly influenced the verdict; or (4) where the jury's verdict was facially inconsistent. *See Zarow-Smith v. N.J. Transit Rail Operations*, 953 F. Supp. 581, 584 (D.N. J. 1997) (citations omitted). The court, however, must proceed cautiously and not substitute its own judgment of the facts and assessment of the witnesses' credibility for the jury's independent evaluation. Nevertheless,

> [w]here a trial is long and complicated and deals with a subject matter not lying within the ordinary knowledge of jurors a verdict should be scrutinized more closely by the trial judge than is necessary where the litigation deals with material which is familiar and simple, the evidence relating to ordinary commercial practices. An example of subject matter unfamiliar to a layman would be a case requiring a jury to pass upon the nature of an alleged newly discovered organic compound in an infringement action.

Lind v. Schenley Indus. Inc., 278 F.2d 79, 90-91 (3d Cir. 1960).

IV. DISCUSSION

A. JMOL of Invalidity

It was defendant's burden to prove obviousness at trial by clear and convincing evidence, defined to the jury as "evidence that produces an abiding conviction that the truth of a factual contention is highly probable." The jury having declined to invalidate the Sullivan patents,[2] defendant must now demonstrate that the verdict of nonobviousness was not supported by substantial evidence. That is, defendant must show the absence of facts necessary

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[2] The verdict of invalidity with respect to dependant claim 5 of the '293 patent is discussed *infra* in the context of inconsistent verdicts.

to support a verdict of nonobviousness, such that no reasonable jury could conclude that defendant failed to meet its high burden of proof. Such a showing is nearly unattainable in view of the fact that plaintiff presented its own rebuttal expert, Dr. Risen, who testified regarding both the scope of the prior art and the lack of a motivation to combine, a question of fact. *See Group One Ltd. v. Hallmark Cards, Inc.*, 407 F.3d 1297, 1304 (Fed. Cir. 2006) ("Expert testimony of a lack of motivation to combine and the use of hindsight by opposing experts constitutes substantial evidence of nonobviousness.") (quoting *Teleflex, Inc. v. Ficosa N. Am. Corp.*, 299 F.3d 1313, 1334 (Fed. Cir. 2002) (internal quotations and brackets omitted). Notwithstanding, the court will briefly analyze plaintiffs evidence of nonobviousness.

1. Proudfit '187 in view of Molitor '751 or Wu

a. All limitations present

Plaintiff argues that there is no indication that Proudfit '187 combined with either Molitor '751 or Wu would be understood by a person of skill in the art to provide a polyurethane cover material having a Shore D hardness of 64 or less. A Shore D hardness value is not expressly contained in any of these references. With respect to Molitor '751, defendant relies on a disclosure of a "Shore C" hardness value of 72-76[3] which it asserts corresponds to a Shore D

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[3] Molitor '751 discloses "an improved golf ball cover useful in making balls, particularly two-piece balls" (DTX-11, col. 1, ll. 11-15), which "refers primarily to balls consisting of a molded

hardness of less than 64. (D.I. 417 at 9; DTX-II at col. 7. ll.27-29) With respect to Wu, defendant argued at trial that the Wu polyurethane measured at a Shore D hardness of 48 to 50 off the ball (D.I. 424 at 493:23-494:3), the Titleist® Pro Vl® used a polyurethane cover having a Shore D hardness of 56 taken "on the ball"[4] (*id.* at 467:15-18), and Dr. Statz testified that, because the Titleism Pro V1® had a slightly thicker polyurethane cover than the cover layer disclosed in Proudfit '187, a person of ordinary skill in the art would expect a Shore D hardness of around 56, and less than 64, for the cover of the claimed combination (D.I.426 at 618: 12-619:4).

Absent any direct evidence of a Shore D hardness of less than 64 in any of the asserted references, the jury's verdict of validity is not surprising. For its Molitor '751 argument, defendant relied on two "comparison" charts containing both Shore C and Shore D hardness values. (PTX-804; DTX-8 at CW0309061) One of these charts was submitted to the PTO by plaintiff for the purpose of traversing a 35 U.S.C. § 112, first paragraph

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core and a cover, but also includes balls having a separate solid layer beneath the cover" (*id.* at col. 3, ll.7-9). A table is provided containing "finished ball data" for several samples. "Samples 7, 8, and 10 constitute preferred embodiments, with a Shore C hardness within the range of 72-76." (*Id.*, col. 7. ll. 27-29) "[O]ther materials may be included in the cover in addition to the essential urethane and ionomer resins . ..provided the cover is formulated to have the requisite Shore C hardness." (*Id.*, col. 7, ll. 35-39)

[4] The court declines defendant's invitation to reconsider its claim construction ruling and grant JMOL on that ground. (D.I. 417 at 27-29)

rejection during the prosecution of the '873 patent. (DTX-8 at CW0309061) Notwithstanding, both "comparison" charts expressly state that they "[are] not and cannot be used as a conversion [tool]." Defendant admits that "no simple, linear relation exists between Shore C and Shore D measurements and a direct conversion from C to D cannot be done with [a] chart."[5] (D.I. 417 at 14) Defendant's argument is that "[w]hile we may not know if 72C 'converts' exactly to 50D or 51D, an artisan knew from the chart that the range 72-76C would be less than 60 Shore D." (*Id.*) Mr. Sullivan testified that a Shore C hardness of 65 is less than 64 on the Shore D scale, as evidenced by the specification's use of the phrase "Shore D hardness of about 45 (i.e., Shore C hardness of about 65)." (D.I. 427 at 802:24-803:8; DTX-1 at col. 3, ll. 52-53) Dr. Statz testified that, according to the charts, a Shore C of 72-76 correlated to a Shore D hardness of about 55. (D.I. 426 at 600:23-602:3)

Plaintiff presented rebuttal evidence that the material underneath the cover layer influences the Shore D measurement when taken on the ball.[6]

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[5] Mr. Dalton agreed that attempting a Shore C to Shore D conversion would not be expected "to be nearly as accurate" as a direct Shore D measurement. (D.I. 424 at 515:25-516:4) Mr. Kennedy testified for plaintiff that a straight correlation is not possible. (D. l. 428 at 101 8:6-15) Mr. Risen testified similarly. (*Id.* at 1162:8-24)

[6] Mr. Dalton admitted on cross that thin ball covers are "more influenced by what's underneath them than thicker covers"; what's underneath the layer you are measuring can influence the hardness measurement. (D.I. 424 at 516:l0-24) One of

Therefore, "a skilled artisan would not have thought that a Molitor '751 [polyurethane] cover would exhibit the same hardness when used as the outer cover of a Proudfit-type ball as it did when used as the single cover of a 2-piece ball, let alone exhibit the hardness as claimed in the patents-in-suit." (D.I. 455 at 12) Plaintiff does not point to affirmative evidence tending to demonstrate that a Shore C measurement of 72-76 corresponds to a Shore D measurement greater than 64. (*Id.* at 14) It was not plaintiff's burden to do so, however. On this record, the jury could have found defendant's evidence regarding the presence of the Shore D hardness limitation in the prior art fell short of clear and convincing, insofar as: (1) the prior art did not contain any Shore D hardness values; (2) the tables themselves contained disclaimers on their use as conversion tools; and (3) hardness values vary based on the number and nature of the inner layers, and from the plaque to "on the ball."

b. Motivation to combine and reasonable expectation of success

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defendant's patents, issued in 2005, states that "[h]ardness, when measured directly on a golf ball (or other spherical surface) is a completely different measurement and, therefore, results in a different hardness value [than that for a flat slab or button]. This difference results from a number of factors including, but not limited to, ball construction (*i.e.*, core type, number of core and/or cover layers, etc.), ball (or sphere) diameter, and the material composition of adjacent layers. It should also be understood that the two measurement techniques are not linearly related[.]" (PTX-604 at col. 10, ll. 14-23)

Even if the jury agreed with plaintiff that a person of ordinary skill in the art would have generally interpreted the prior art to disclose a Shore D hardness of 64 or less, the jury could have reasonably concluded that a person of ordinary skill in the art would not have been motivated to put a polyurethane cover on the ball of Proudfit '187 with any expectation that such a combination would yield an "on the ball" Shore D hardness of 64 or less.

Plaintiff presented evidence that it was known in the industry that there were significant problems with the Molitor '751 cover material. Dr. Risen testified that Molitor '751 was embodied by the Spalding Tour Edition® golf ball, which had a polyurethane and ionomer blend cover. (D.I. 428 at 1148: 11-1149:14) Spalding replaced this cover with a different Surlyn® ionomer blend because it was a "big problem." (*Id.*) Dr. Statz admitted on cross that "[p]eople had looked at all these resins for years," and a Spalding ball with Molitor '751 (polyurethane/ABS[7]) cover, called the Executive®, did not work. (D.I. 427 at 704:7-705:20; 733:13-734:15 ("It broke. It was brittle. It was too hard and too stiff.")) In the 1980s Dr. Statz helped Spalding develop a replacement cover, which was a blend of ionomers (with no polyurethane). (*Id.* at 705:21-706:22) Dr. Statz testified that "it wasn't a failed cover because of the urethane, it was a failed cover because of the blend." (*Id.* at 706:21-22) Notwithstanding, Dr. Statz did not look to a polyurethane cover solution. Similarly, Mr. Proudfit

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[7] Acrylonitrile butadiene styrene, a common thermoplastic.

testified that putting a polyurethane cover on his three-piece golf ball had never occurred to him. (D.I 424 at 530:9-19)

There are thousands of golf ball patents. (D.I. 423 at 177:13-18) The jury heard testimony that it took plaintiff three years and over $170 million, with the assistance of 25 to 40 designers, to design and launch its Rule 35® ball; defendant spent a "period of years developing the Pro V1®. (D.I. 428 at 1026:17-1027:11; 1048:9-14; D.I. 424 at 427:12-17)

Mr. Kennedy testified that there are thousands of materials (within several families of products) that can be used to make a ball.[8] (D.I. 427 at 937:12-938:8) Further, in Mr. Kennedy's experience, golf ball designers cannot predict "what performance will result from a particular combination of materials," so products must be made and tested. (*Id.* at 938:9-12; 941:15-944:21) Mr. Yagley testified that small changes in "cover thickness and cover hardness and core composition would make a big change in how the golf ball performed." (D.I. 428 at 1022:15-18) The relationships between the materials and the layers of materials are "extremely complex," as is the evaluation of performance. (*Id.* at 1024:2-14) Mr. Proudfit testified that developing a ball is "trial and error, not predictable ...in my opinion it's not a science." (D.I. 424 at 530:20-24) Mr. Nesbitt stated that, in his experience as a golf ball designer, he found that developing a ball was "[n]ever predicable"; "You don't know until you try...You play around in

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[8] Mr. Dalton acknowledged that there is a "fairly large" number of materials that can be used. (D.I. 424 at 510:13-15)

the lab. You make examples, and you test and see if it does what you think it's going to do. If it doesn't, then you go back and make modifications." (D.I. 428 at 1128:25-1129:9) Dr. Risen also testified that the art is unpredictable; the effect of changes on the ultimate performance cannot be predicted with any certainty. (*Id.* at 1146:22-1147:7)

As for defendant's witnesses, Mr. Sullivan agreed that the art is "challenging." (D.I. 427 at 81 5:18-24) Mr. Cavallaro testified similarly. (D.I. 428 at 1115:11-19) (Golf ball design is not predictable, as "just changing one particular material, one material may perform differently than another material, totally out of the realm of the design that you're looking to achieve.")) Mr. Dalton affirmed that, for certain types of materials, "even a small change in the materials that you use to make the golf ball can have a big consequence on the performance of the golf ball" (D.I. 424 at 51 1:23-512:6); finding the right combination of materials to achieve a predetermined performance goal is "a challenging task." (*Id.* at 512:20-25) Dr. Statz acknowledged that "different combinations of core size and inner cover thickness and outer cover thickness will lead to wildly different performance."[9] (D.I. 426 at 660:1-5)

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[9] Plaintiff's counsel impeached Dr. Statz with his expert report, citing a quote that, to make a multi-layer golf ball with a polyurethane cover, a "huge amount of experimentation" and decision-making would be required to choose the right combination of materials. (D.I. 426 at 659:4-9) In response, Dr. Statz backtracked, stating only that "how much [experimentation] that would be, I don't know until you start." (*Id.* at 659:10-15)

Additionally, Dr. Risen testified that he reviewed the prior art and reached the opposite conclusion of Dr. Statz on obviousness. (D.I. 428 at 1141:8-1143:13) Dr. Risen outlined the import of various pieces of prior art and the knowledge of persons of ordinary skill in the art at the time of the invention. With respect to Molitor '751, Dr. Risen stated that there was no disclosure of Shore D hardness, that the Shore C hardness values disclosed could not be converted to Shore D values, and that all of the examples in that patent are two-piece balls. (*Id.* at 1159:11-1162:24) Dr. Risen further stated that there was no motivation to combine Proudfit '187 and Molitor '751.[10] (*Id.* at 1168:5-1170:5) Dr. Risen testified that Wu discloses a two-piece golf ball and a

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[10] Defendant preserved its objection that Dr. Risen's testimony of "no motivation to combine" was outside the scope of his expert report. The court finds defendant's arguments on this issue frivolous. As an initial matter, Dr. Risen's report amptly supports the concise testimony given at trial. (D.I. 443, ex. E at ¶¶22, 254 ("the fact that no one succeeded in making a urethane-over-ionomer three-piece' ball before Sullivan strongly suggests that persons of skill in the art either did not think to do so, or did not think such an effort would be worth pursuing"), 255-56, 258 ("even the most skilled golf ball designers either did not expect any benefit from such a design, did not think the construction was possible, or did not consider the combination at all"), 278 ("At the very least, persons of skill in the art evidently did not expect this construction to improve performance as much as it does; if they had, someone certainly would have undertaken the effort to implement such a design.") Secondly, obviousness was the only issue tried in this case. Plaintiff had one expert. The prejudice to defendant by the expert's conclusion of "no motivation to combine," precisely the opposite of what is required to prove obviousness in defendant's case in chief, is difficult to appreciate under these circumstances.

wound ball, not a multi-layer ball having an inner cover layer with the claimed properties, and contains no disclosure of a Shore D hardness value for a cover layer. (*Id.* at 1163:16-1165:10) He also stated that there was no motivation to combine Proudfit '187 and Wu. (*Id.* at 1170:5-13)

Finally, plaintiff presented evidence on secondary considerations of nonobviousness.[11] The infringing Pro V1® is undisputedly successful. In addition to plaintiffs documents admitted at trial, which evidence a wholesale "paradigm shift" in the market following the introduction of the Pro V1®,[12]

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[11] [S]econdary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented." *KSR Int'l Co. v. Teleflex Inc.*, – U.S.–, 127 S.Ct. 1727, 1734 (2007) (quoting *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966)).

Plaintiff was required to present a prima facie case that a nexus existed between the patented feature and the commercial success of the product(s) embodying the patented invention. Defendant stipulated to infringement in this case and, having done so, it became defendant's burden to rebut plaintiffs prima facie showing that the success of the Pro V1® was attributable to the patented invention. *See Demaco Corp. v. F. Von Lagsdorff Licensing Ltd.*, 851 F.2d 1387, 1393 (Fed. Cir. 1988) (Plaintiff "is not required to prove as a part of its prima facie case [of a nexus between the patented feature and the claimed success] that the commercial success is not due to factors other than the patented invention. It is sufficient to show that the commercial success was of the patented invention itself. A requirement for proof of all of the negative of all imaginable contributing factors would be unfairly burdensome[.]").

[12] E.g., PTX-722; PTX-723; PTX-1195 ("[T]he speed at which this all took place is unprecedented, especially as it related to increasing capacity to meet the demand. I think it is the most

Mr. Bellis testified that the Pro Vl® is the most preferred and played ball by tour professionals and average-skill golfers. (D.I. 424 at 275:24-276:8 ("I think one of [the] major reasons for [its] success is its total performance or excellent performance across many different areas[.]")) Mr. Morgan acknowledged that the patented features contribute to the performance of the Pro VIO. (PTX-1121; D.I. 424 at 436:14-23 (ionomer casing for speed enhancement and spin control); 437:17-438:8 (polyurethane cover for control and imparting spin)) Dr. Risen testified that the Pro VIO satisfied the long-felt need in the industry for a ball having the favorable characteristics of both distance balls and wound balls. (D.I. 428 at 1176:15-1177:11)

2. Wilson Ultra Tour Balata[13] ball in view of Molitor '751 or Wu

Defendant asserts that it presented ample clear and convincing evidence at trial that the Wilson Ultra Tour Balata ball that was on sale in 1993 had all of the features of the asserted claims with the exception of a polyurethane cover layer, and that it would have been obvious to use a polyurethane cover layer as disclosed in Molitor '751 or Wu. (D.I. 417 at 16) Defendant claims that JMOL

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massive paradigm shift ever seen in the golf ball category, and certainly the most intense and accelerated one in any product category I've ever witnessed." (George Sine, defendant's Vice President of golf ball marketing and strategic planning) (2001))

[13] Generally, balata is a latex used as a cover material for golf balls. It is not exceptionally durable.

is appropriate because its evidence was wholly uncontroverted by plaintiff at trial. (*Id.*) Plaintiff does not point to any of its own evidence in this regard. (D.I. 455 at 18-20) Rather, plaintiff asserts that defendant did not meet its burden to establish that the Ultra Tour Balata ball had an inner cover layer comprising a blend of low-acid ionomers, at least one of which was a low-acid ionomer, as required by the Sullivan patents. Dr. Statz testified that he learned that the Ultra Tour Balata had this ionomer blend through discussions with Mr. Proudfit when visiting the Wilson manufacturing facility -not through public information. (D.I. 426 at 700:11-703:19) The Ultra Tour Balata ball packaging included the Proudfit '187 patent number, but claim 1 of that patent requires only an "ionomer resin," as compared to a blend. (D.I. 429 at 1289-90) Finally, plaintiff reiterates its arguments regarding the lack of a motivation to combine and a reasonable expectation of success in view of known problems with polyurethane covers of the original Tour Edition® ball.

In response, defendant highlights test data showing that the Ultra Tour Balata ball satisfies all of the claimed properties except for the polyurethane cover. (D.I. 465 at 7) There is no indication that this information would have been available to persons of ordinary skill in the art; conversely, there is no indication that persons of ordinary skill in the art could not replicate these results if motivated to do so. Defendant points to no testimony by Dr. Statz regarding why a person of ordinary skill in the art would have been motivated to combine the Ultra

Tour Balata ball with the teaching of Molitor '751 or Wu. (D.I. 417 at 16 (citing D.I. 426 at 594:13-595:24; 609:5-8)) Dr. Statz only testified that the combination of references would yield the patented balls. (*Id.*) Thus, notwithstanding the fact that Dr. Risen presented no rebuttal testimony on this point,[14] defendant's case was deficient as a matter of law. Plaintiff's evidence regarding the unpredictability of the art and the former failure of the Tour Edition® polyurethane-blend cover also support the verdict.

3. Conclusion

Based upon the foregoing, the court finds that substantial evidence supports the jury's verdict of nonobviousness. Of course, defendant presented evidence from which a jury could have found a motivation to combine. The court need not address this evidence, insofar as motivation to combine is an issue of fact and the jury in this case, confronted with conflicting (expert) testimony on the issue, was free to resolve the conflict in favor of plaintiff. *See Group One Ltd.*, 407 F.3d at 1304. In addition, other substantial evidence supports the verdict of nonobviousness in this case. With respect to the first asserted combination of references, it is possible that the jury found that defendant failed to show a combination ball, based on Proudfit '187 and Molitor '751 or Wu, that had a polyurethane cover layer with

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[14] Defendant provided deposition testimony wherein Dr. Risen stated that his expert report did not address the combination of the Wilson Ultra Tour Balata ball and either Molitor '751 or Wu. (D.I. 417, ex. 1 at 243-44)

a Shore D hardness of less than 64. Notwithstanding, nearly all of the witnesses in this case agreed that golf ball design involved a certain degree of uncertainty and use of the "guess and check method in development -evidence which cuts against a motivation to combine and/or reasonable expectation of success. In view of this, and plaintiffs evidence of secondary considerations of nonobviousness, a reasonable jury could have found that defendant failed to meet its clear and convincing burden on invalidity based on both asserted combinations of references.

B. Motion for a New Trial[15]

Defendant argues that a new trial is warranted because the jury's finding that dependant claim 5 of the '293 patent is invalid is irreparably inconsistent with its finding of validity with respect to the remainder of the asserted claims, including independent claim 4 upon which claim 5 depends.[16]

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[15] The court does not address defendant's arguments that a new trial is warranted based on the court's prior evidentiary rulings, specifically, that the court: (1) improperly excluded test balls defendant made from the teachings of the prior art and accompanying data; (2) erred in admitting evidence regarding defendant's "veneer concept" and the Hebert patent; (3) erred in excluding the prosecution history of a continuing application of the '873 patent (the 2004 Ex *Parte Sullivan* decision); and (4) erred by excluding the copending reexamination record from evidence. The court affirms its prior rulings.

[16] Although "dependent or multiple dependent claims shall be presumed valid even though dependent on an invalid claim," 35 U.S.C. § 282, the converse is not true; a dependent claim cannot be invalid while the (broader) claim from which it depends is

The parties' joint proposed verdict form in this case contained only the question of whether any of the claims at issue were invalid for obviousness; specific limitations were not addressed. (D.I. 390 at 3) Although the parties' joint proposed jury instructions contained an explanation of how to read independent and dependent claims, there was no explanation that a dependant claim cannot stand invalid if the claim upon which it depends is held to be valid. (D.I. 391 at 29) Instead, the parties jointly proposed an instruction (adopted by the court) that each claim is a "separate statement of the patented invention" to be considered "individually." (*Id.* at 28) The parties did not object to the jury instruction that "[t]he validity of a patent claim, therefore, is independent of the validity of other claims in the

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valid. *See* 35 U.S.C. § 112, ¶ 4 ("[A] claim in dependent form shall contain reference to a claim previously set forth and then specify a further limitation of the subject matter claimed. A claim in dependent form shall be construed to incorporate by reference all the limitation of the claim to which it refers."); *Ormco Corp. v. Aligh Tech., Inc.*, 498 F.3d 1307,131 9 (Fed. Cir. 2007) ("Because claims 10 and 17 were found to have been obvious, the broader claims 1 and 11 must also have been obvious."); *see also L&W, Inc. v. Shertech, Inc.*, 471 F.3d 1311, 1318 (Fed. Cir. 2006) (acknowledging inconsistency between verdict that independent claim 7 was valid but dependent claim 10 invalid) (holding that both parties waived objections to the inconsistency under Sixth Circuit waiver law); *Intematic Inc. v. Lamson & Sessions Co.*, 273 F.3d 1355, 1368 (Fed. Cir. 2001) (acknowledging inconsistency of verdicts that dependent claims were not invalid for obviousness where the jury had found the independent claims non- obvious) (affirming district court's JMOL resolving inconsistent verdicts). Accordingly, plaintiff has not argued that the verdict is consistent.

patent."[17] (D.I. 394 at 17; D.I. 429 at 1257:4-1259:6)

The verdict form, with the jury's responses denoted by an "X," provided in its entirety as follows.

1. Has Acushnet proven, by clear and convincing evidence, that any of the following claims of U.S. Patent No. 6,210,293 (the '293 patent) is invalid due to obviousness?
"Yes" is a finding for *Acushnet.* "No" *is a finding* for *Callaway.*

(A) Claim 1 Yes_____ No __X___
(B) Claim 4 Yes _____ No __X___
(C) Claim 5 Yes __X___ No _____

2. Has Acushnet proven, by clear and convincing evidence, that any of the following claims of U.S. Patent No. 6,503,156 (the '156 patent) is invalid due to obviousness?
"Yes" is a finding for Acushnet. "No" is a finding for *Callaway.*

(A) Claim 1 Yes _____ No __X___
(B) Claim 2 Yes _____ No __X___
(C) Claim 3 Yes _____ No __X___

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[17] The court notes that the Federal Circuit Bar Association's model jury instructions (January 2008) provide a comparable instruction with respect to infringement: "[A] dependent claim includes all of the requirements of any of the claims to which it refers, plus additional requirements of its own. Therefore, if you find that an independent claim is not infringed ...then you must also find that any claim that depends from it is not infringed." No parallel model instruction is provided with respect to the validity of dependent claims.

3. Has Acushnet proven, by clear and convincing evidence, that any of the following claims of U.S. Patent No. 6,506,130 (the '130 patent) is invalid due to obviousness?
"Yes" is a finding for Acushnet. "No" *is a finding for Callaway.*

(A) Claim 5 Yes_____ No __X___

4. Has Acushnet proven, by clear and convincing evidence, that any of the following claims of U.S. Patent No. 6,595,873 (the '873 patent) is invalid due to obviousness?
"Yes" is a finding for Acushnet. "No" is a finding for Callaway.

(A) Claim 1 Yes_____ No __X___
(B) Claim 3 Yes _____ No __X___

1. Waiver

As a threshold matter, plaintiff asserts that defendant waived its objection to the inconsistency of the verdicts because it did not object prior to the jury's dismissal.[18] (D.I. 455 at 39-44) Defendant's

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[18] Plaintiff also argues that defendant "failed to take action that would have expressly defined for the jury the relationship between claims 4 and 5." Plaintiff's waiver argument in this regard is flawed, insofar as there was no error in the court's instructions. The fact that the instructions could have been more precise in describing the relationship between independent and dependent claims is not an appropriate ground to premise a waiver argument. *See Marra v. Philadelphia Housing Authority*, 497 F.3d 286, 312 n. 21 (citing *Kosmynka v. Polaris Indus., Inc.*, 462 F.3d 74, 84-85 (2d Cir. 2006) ("Waiver of an objection to an inconsistent verdict has been found...when the inconsistency was **caused by** an

counterargument in this regard is that the verdict in this case was a special verdict, not a general verdict, which carries no contemporaneous objection rule pursuant to Rule 49(a). (D.I. 465 at 17) However, neither party ever requested a "special verdict" form, posed particular factual inquiries for the jury, or otherwise discussed with the court the desire for a "special verdict" prior to trial; the court's verdict form, accordingly, was entitled only "verdict" (not "special verdict") and contained no "written finding[s] upon each issue of fact." Fed. R. Civ. P. 49(a). The verdict was a multi-part general verdict form. *Accord Richardson-Vicks Inc. v. Upjohn Co.*, 122 F.3d 1476, 1479 & n. 1 (Fed. Cir. 1 997); *Railroad Dynamics, Inc. v. A. Stucki Co.*, 727 F.2d 1506, 151 5-16 & Appx. A (Fed. Cir. 1984). That the general verdict was not accompanied by "answers to written questions" "on one or more issues of fact that the jury must decide," as contemplated by Rule 49(b), does not change the fundamental nature of the verdict. *See gen, Railroad Dynamics*, 727 F.2d at 1516 ("That the jury spoke specifically with respect to each defense is in this case of benefit to the courts and to the parties.").

That being said, the Third Circuit has indicated that an objection on the record is probably required to preserve an objection based on inconsistent general verdicts. *See Marra*, 497 F.3d at 312 n.21 (citing *Simmons v. City of Philadelphia*, 947 F.2d 1042, 1056-57 (3d Cir. 1991) ("In this circuit, it

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improper jury instruction or verdict sheet and there was no objection to either the instruction or verdict sheet prior to submission of the case.") (emphasis added)).

probably is necessary, as it is in the majority of the circuits, to raise prior to the jury's dismissal an objection based on the inconsistency of the answers to interrogatories supporting a general verdict rendered under Rule 49(b).); *Loughman v. Consol-Pennsylvania Coal Co.*, 6 F.3d 88, 104 n. I5 (3d Cir. 1993) ("While [Judge Becker's statement about Rule 49(b) waiver in Simmons] may well be correct. ..it is, by its own language, a tentative conclusion. . .[It] cannot, in any case be considered a holding of the court[.]")). After the verdict was read and prior to the dismissal of the jury, plaintiff raised the issue and called a sidebar to discuss the verdict, at which time the court declined to send the jury back to re-deliberate, and the jury was thereafter excused. (D.I. 430 at 1427:11-1428:13) Although it is clear that defendant never objected to the verdict on the record, the court is sensitive to its argument that it was essentially "beaten to the punch" by plaintiffs counsel and did not feel the need to reiterate the same concerns following the court's decision. (D.I. 465 at 22)

2. Merits

The court must first consider whether there are "means to reconcile" the inconsistent verdict. *See Mycogen Plant Science v. Monstanto Co.*, 243 F.3d 1316, 1326 (Fed. Cir. 2001). In this regard, plaintiff points out that claims 4 and 5 of the '293 patent, claim 3 of the '873 patent, and claim 5 of the '130 patent do not require a "blend of low acid ionomers" for the inner layer of the golf ball, while the remaining 5 of the asserted claims do. (D.I. 455 at

46) Plaintiff groups the claims in a manner in which the verdict is consistent with respect to the 5 "blend" claims, but remains inconsistent with respect to the four "non-blend" claims; this does not give the court sufficient means to reconcile the verdicts.

The court notes that inconsistency, alone, is insufficient to warrant a new trial absent an affect on defendant's substantial rights. *See* Fed. R. Civ. P. 61; *Williamson v. Consolidated Rail Corp.*, 926 F.2d 1344, 1353 (3d Cir. 1991) ("[N]ew trials because the verdict is against the weight of the evidence are proper only when the record shows that the jury's verdict resulted in a miscarriage of justice or where the verdict, on the record, cries out to be overturned or shocks our conscience.") (citation omitted). In this case, defendant has stipulated that it infringes each of the Sullivan patents; three of which were held valid by the jury without reservation.

Inconsistent jury verdicts are an unfortunate fact of life in law, and should not, in and of themselves, be used to overturn otherwise valid verdicts." *Boyanowski v. Capital Area Intermediate Unit*, 21 5 F.3d 396, 407 (3d Cir. 2000). The Third Circuit has acknowledged that "in certain circumstances, [such as one "obviously representing a compromise",] a court retains the authority .. .to allow an apparently inconsistent verdict to stand." *Mosley v. Wilson*, 102 F.3d 85, 91 (3d Cir. 1996) (quoting *City of Los Angeles v. Heller*, 475 U.S. 796, 805 (1986) (Stevens, J., dissenting) (additional citations omitted)). The court does not go so far as to find that the jury's verdict was an "obvious"

compromise in this case.

Notwithstanding, the Federal Circuit, applying the Sixth Circuit's waiver rule, has allowed a facially inconsistent verdict relating to dependent claims to stand following a failure to timely object to the verdict. *See L&W, Inc.*, 471 F.3d at 1314 (affirming the portion of the judgment holding independent 7 valid and dependant claim 10 invalid);[19] *see also Bradford Co. v. Jefferson Smurfit Corp.*, No. Civ. A. 2000-1 51 1,2001 WL 35738792 (Fed. Cir. Oct. 31, 2001) (unpublished) (affirming district court's denial of JMOL based on inconsistent general verdict, where jury had found independent claims 11 and 21 valid and infringed and dependant claims 12 and 17 anticipated and obvious).[20]

The present patent trial lasted seven days and was the culmination of nearly two years of the parties' preparation and expense. In view of the lack

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[19] Although the *L&W* Court characterized the verdict in that case as a "special verdict," the Court stated that the "distinction [did] not make a difference," as in either the case of a special or general verdict "the waiver rule promotes judicial efficiency by requiring that the trial court be given a chance to let the original jury resolve any inconsistency in its responses." *Id.* at 1319.

[20] Notably, Bradford had renewed its JMOL motion that insufficient evidence supported the jury's verdict that the dependant claims were invalid. The Federal' Circuit instructed: "On remand, the district court should now consider this renewed JMOL motion on the merits and decide whether to enter JMOL for Bradford or to let the otherwise illogical result stand." *Bradford*, 21 12 WL 35738792 at *8.

of harm to defendant on this record, or any evidence of "manifest injustice" compelling a new trial, and with the understanding that, almost as often as not, the Federal Circuit may reverse or remand any of the underpinnings upon which trial in this matter proceeded, the court will allow the verdict to stand and the appeal to go forward without further delay. Put another way, the court declines to allow defendant another bite at the apple absent more compelling circumstances.

C. Motion for a Permanent Injunction

1. Permanent injunction standard

In *eBay Inc. v. MercExchange, L.L.C.*, 126 S.Ct. 1837 (2006) (vacating and remanding *MercExchange, L.L.C. v. eBay Inc.*, 401 F.3d 1323, 1339 (2005)) (hereinafter "eBay"), the Supreme Court overruled the Federal Circuit's longstanding "general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances." Permanent injunctions in patent cases must be based on a case-by-case assessment of the traditional equitable factors governing injunctions. Id. at 1839. That is, to be awarded a permanent injunction, a plaintiff must demonstrate: "(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction."

Id. "The decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards." *Id.* at 1841.

2. Background

The pertinent analysis is well-framed by a discussion of the parties' histories in the multi-layer golf ball market. The Sullivan patents were originally obtained by Spalding. During bankruptcy, Spalding's golf ball business became an independent company (Spalding Holdings Company) that was acquired by plaintiff for $175 million in 2003; this business became plaintiff's subsidiary, The Top-Flite Golf Company. The Sullivan patents were among the intellectual property acquired by plaintiff in the deal.

Prior to 2003, plaintiff, a market leader in golf drivers, began building its own golf ball business. Plaintiff introduced testimony at trial that it developed the Rule 350 ball at the cost of over $170 million. (D.I. 428 at 1048:9-14) The Rule 35® three-piece ball used the Sullivan inventions; plaintiff states that it "addressed Spalding's assertions of infringement by purchasing Spalding's golf ball assets[.]" (D.I. 412 at 9 n.3) The Rule 35® was introduced to professionals in January 2000, and to the public in February 2000. (D.I. 428 at 1046:4-5) It was not the first three-piece ball to market, however. Both Nike and Bridgestone introduced three-piece golf balls to their tour players in 1999. (D.I. 423 at

243:16-244:2) Notwithstanding, the Rule 35® made a "big splash" in the industry; it was used to win one of the first Professional Golfers' Association ("PGA") tournaments in 2000. (D.I. 428 at 1046:6-13) Many tour professionals were playing wound balls at the time. (D.I. 414 at ¶9)

Professional golfers typically have contracts to play the golf balls of a certain manufacturer. Players' contracts typically begin the first of the year, corresponding to the start of the PGA schedule in the United States. (D.I. 414 at ¶ 10; D.I. 427 at 920:16-23) A player under contract with a manufacturer must play that manufacturer's balls exclusively. Players under contract with another golf ball company in 2000 were not at liberty to play the Rule 35® ball on tour.

According to plaintiff's calculations, 25.8% of balls used on the 2000 Senior PGA Tour were the Rule 35® ball; this number increased to 39.7% in 2001. (D.I. 141 at ¶12) On the women's side, 10.8% of the balls used on the 2000 LPGA tour were the Rule 35® ball, increasing to a high of 32.5% in 2002. (*Id.*)

The infringing Pro V1® was tested with tour professionals in October 2000. Public launch was in December 2000. (D.I. 423 at 216:10-12) By offering the Pro V1®, defendant was able to keep the majority of its contract players and thereby prevented them from switching to the Rule 35® when their contracts expired at year's end. (D.I. 413, ex. C at 47:9-12; D.I. 424 at 307:3-16) Forty-seven

tour players used the Pro V1® at a PGA event in October 2000, including the winner. (D.I. 423 at 218:7-219:6) According to plaintiff, "[m]aintaining [defendant's] status as the number one ball on the professional tours was key to [defendant's] marketing of the Pro V10 through the pyramid of influence," a marketing strategy premised upon the assumption that the equipment choices of pro golfers influences the purchasing decisions of club pros, avid golfers, recreational golfers, and lastly beginner golfers at the bottom of the pyramid. (D.I. 412 at 15-16) According to plaintiff, defendant's pyramid of influence has resulted in plaintiff being excluded from many retailers altogether. Under defendant's "Titleist Exclusive Pro Shop" program, pro shops are awarded special incentives if they agree to carry and sell only defendant's Titleist® and Pinnacle®-branded golf balls. (D.I. 414 at ¶¶25-28)

By 2004, plaintiff had stopped making the Rule 350 ball in favor of another premium ball design, and admittedly stopped practicing the Sullivan patents. (D.I. 412 at 17 n.5) Plaintiff and defendant remain competitors in the three-piece ball market, which defendant currently dominates. Plaintiff calculates that by 2007, only 16.6% of the balls used on the Senior PGA tour and 15.9% of those used on the LPGA tour were plaintiffs. (D.I. 414 at ¶12) The gravamen of plaintiff's argument is that defendant's infringement enabled its pyramid of influence with respect to the Pro V1® line of balls. Since 2000, Pro V1® balls have dominated the market and continued to gain market share. "[I]f the ball did not match the performance of the

competition by utilizing the claimed inventions, [defendant's] pyramid of influence would have collapsed[.]" (D.I. 460 at 7) Defendant is currently the leading supplier of golf balls, having the highest percentage of golf balls on tour worldwide and in the United States. (PTX-1175 at AB0118089 (2006)) Plaintiff characterizes the lost opportunity to enhance its goodwill and brandy loyalty as irreparable. (D.I. 412 at 7)

3. Discussion

Courts awarding permanent injunctions typically do so under circumstances where plaintiff practices its invention and is a direct market competitor.[21] This court has awarded permanent injunctions where the effects of defendant's infringement (on plaintiff) were direct and readily

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[21] See, e.g., *Muniauction, Inc. v. Thomson Corp.*, 502 F. Supp. 2d 477, 482 (W.D. Pa. 2007) ("Plaintiff and defendants are direct competitors in a two-supplier market. If plaintiff cannot prevent its only competitor's continued infringement of its patent, the patent is of little value.") (granting permanent injunction); *Johns Hopkins Univ. v. Datascope Corp.*, 513 F. Supp. 2d 578, 586 (D. Md. 2007) (granting permanent injunction where infringing product was plaintiffs' "only competition" and "thus, its sale reduce[d] the [p]laintiffs[market share"); *Transocean Offshore Deepwater Drilling, Inc. v. GlobalSantaFe Corp.*, No. Civ. A. 03-2910, 2006 WL 3813778, *4 (S.D. Tex. Dec. 27, 2006) (granting permanent injunction requiring structural modifications to infringing deepwater drilling rigs where "the customer base for deep water drill rigs is small, and [defendant] has not only used [its] rigs equipped with the infringing structure to compete for the same customers and contracts as [plaintiff], but also to win contracts over competing bids from [plaintiff]").

apparent from the available market data. *See, e.g., TruePosition Inc. v. Andrew Corp.*, No. Civ. A. 05-747, 2008 WL 2944657 at *25-26 (D. Del. July 31, 2008) (irreparable harm found where plaintiff and defendant were the "only suppliers in a two-supplier market").

Plaintiff and defendant are not the only manufacturers of multi-layer or three-piece golf balls.[22] In addition, the record reflects that the golf ball industry is one in which licensing is prevalent. This is intuitive, considering that thousands of golf ball patents exist in an industry of a finite number of major market players. Not surprisingly, defendant focuses a great deal of attention on plaintiff's prior licensing activities. Defendant has introduced evidence that plaintiff used defendant's technology in its Rule 350 ball, which it obtained in a cross-license with defendant in 2001. (D.I. 437, ex. 19) Defendant states that it incorporated technology licensed from plaintiff in this deal into its Pro V1® ball. (D.I. 434 at 5-6) Plaintiff has also previously entered into a licensing agreement with Bridgestone to settle

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[22] Neither party has provided a list of all of the manufacturers of three-piece golf balls. The following companies manufacture USGA-approved three-piece balls in the United States in addition to plaintiff (including the Top-Flite division) and defendant: Bridgestone, Taylor Made Adidas Golf, Cromag, Tour Trade Golf, Inc., Dunlop Sports Group America, Ben Hogan Company, Dick's Sporting Goods, NanoDynamics, Inc., Nike, Inc., King Par Corporation, Volvik, Inc., Golfsmith International, Inc., Srixon Sports USA, Inc., TSA Corporate Services, Inc., and Wilson Sporting Goods. *See* http://www.usga.orglequipmentlconforming_golf_ball/gball_list.pdf.

litigation. (D.I. 439, ex. 36) In August 2003, in anticipation of winning the bid for Spalding, plaintiff discussed licensing to defendant the entire Sullivan patent family[23] for $10 million. (D.I. 435, ex. 9) Plaintiff concedes that it "would [have] entertain[ed] the possibility of a license" in this case, but asserts that this was in the context of a denial of infringement and an assertion of invalidity. (D.I. 460 at 1-2) In 2007, plaintiff licensed Bridgestone under two patents in the Sullivan family of patents. (D.I. 437, ex. 26 at 15)[24]

Although plaintiff's willingness to forgo its patent rights (generally) for compensation may be inconsistent with the notion that money damages are inadequate[25] it is certainly not a dispositive factor. The *eBay* court specifically cautioned against the application of categorical rules, classifications and assumptions in these analyses. 126 S.Ct at 1840. In this regard, of utmost import in the context of evaluating irreparable harm and the adequacy of money damages is the nature of the competition between plaintiff and defendant in the three-piece golf ball market. A credible case can be made that,

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[23] All of the patents claiming priority to U.S. Application No. 08/070,510.

[24] U.S.Patents Now. 5,779,562 and 6,368,237, claiming priority to U.S. Application No. 08/070,510.

[25] *See, e.g.*, *Voda v. Cordis Corp.*, No. Civ. A. 03-1512, 2006 WL 2570614 at *6 (W.D. Okla. Sep t. 5, 2006) (denying permanent injunction where plaintiff was a willing licensor, rejecting plaintiffs argument that "ongoing infringement will damage his relationship with [plaintiff's exclusive licensee]" as "simply the other side of the right-to-exclude coin").

had defendant not launched the Pro Vl® ball in late 2000, a large number of its tour players may have switched to the Rule 35®, ball in January 2001. Defendant released the Pro V1® in late 2000 specifically to avoid this result.[26] A shift in tour players to the Rule 35® would have resulted in increased overall sales of the Rule 35®, under the pyramid of influence. By launching "[t]he ball that's turning golf upside down" with its contracted professionals (PTX-1175 at AB0118078), defendant maintained the position of market leader.

Casey Alexander, special situations analyst for Gilford Securities in New York, reported in 2000 that defendant was the "most at-risk ball company" due to its entrenchment in the production of wound balls. (PTX-1195) Mr. Alexander characterized the launch of the Pro V10 to be a "business miracle" -allowing defendant to hold on to its business and also grow in the ball market.[27] (*Id.*) The Pro V10 captured market share so quickly that defendant accelerated its planned introduction by four months, and ceased

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[26] An August 2001 article in Golf Weekly stated that, "[a]ccording to an industry executive who asked that his name not be used, Titleist® officials were particularly impressed with the new Callaway Rule 35® golf ball, and they told the research and development team to come up with something better in very short order." (PTX-1195)

[27] According to defendant's records, Pro V1® and Pro Vlx® sales accounted for 21.7% of all golf ball sales in the United States in 2006. (PTX-1175 at AB0118089) Due at least in part to its infringement, defendant maintained a relatively consistent leadership position, but its market share did increase between the years 1999 (44.5%) and 2006 (50.7%). (*Id.*)

production of its Tour Prestige® and Tour Balata® balls and cut back on production of its Professional® ball to divert resources to the production of the Pro V1®. (*Id.*) Mr. Wally Uihlein, defendant's chairman and CEO, stated that "[t]he Pro V1® saved the company." (PTX-723)

It is impossible to tell whether, absent the Pro V1® ball, plaintiff would have gained the momentum (via the Rule 35® ball) to become the market leader itself, or merely gained a more favorable position than it presently has.[28] This case presents the unique situation in which defendant, by its launch of an infringing product, gained market entry in a critical period where professionals were just making the switch from wound balls. Plaintiff was already a market leader of golf equipment, and was poised to compete in the developing multi-layer ball market. History cannot be rewritten such that plaintiff expanded its customer base and improved its market position via its Rule 35® ball, and/or reaped the benefits of good will and reputation associated with manufacturing the leading golf ball during this critical time period.[29] Put another way, there is sufficient evidence of irreparable harm.

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[28] Defendant emphasizes that plaintiff no longer manufactures the Rule 35® ball; plaintiff's HX-Tour® and HX-Tour 56® balls are the only two designs currently on the market that embody the Sullivan technology at issue. (D.I. 428 at 1007:5-1008:22) The court does not find this factor dispositive, insofar as plaintiffs current and future market position, reputation and good will would have been built on the back of its Rule 35® ball.

[29] The presence of additional market competitors does not alter this result.

Similarly,

> when an infringer saturates the market for a patented invention with an infringing product or damages the patent holder's good will or brand name recognition by selling infringing products, that infringer violates the patent holder's exclusionary right in a manner that cannot be compensated through monetary damages. This is because it is impossible to determine the portions of the market the patent owner would have secured but for the infringer's actions or how much damage was done to the patent owner's brand recognition or good will due to the infringement.

Commonwealth Scientific and Indus. Research Org. v. Buffalo Tech. Inc., 492 F. Supp. 2d 600, 605 (E.D. Tex. 2007). Future damages are informed by past damages, which are undeterminable to the extent that the harm to plaintiffs market position, good will and reputation is unknown.[30]

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[30] That plaintiff retained a damages expert and submitted an expert report on damages (D.I. 286, ex. 1) is not, as defendant suggests, fatal to its claim for equitable relief. The court declines to issue a ruling that effectually discourages plaintiffs in patent litigation to retain experts and conduct damages discovery -in effect build its damages case -if injunctive relief is concurrently sought. To hold otherwise would condone irresponsible advocacy.

Contrary to defendant's assertion, the Federal Circuit's decision in *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363 (2008), does not compel a different result. The *Innogenetics*

With respect to the balance of hardships, if the court does not issue an injunction, defendant will become plaintiff's compulsory licensee, depriving plaintiff of its right to exclude. *See gen. Hybritech Inc. v. Abbott Labs.*, 849 F.2d 1146, 1456-57 (Fed. Cir. 1988). The harm that defendant would suffer is admittledly subtle—in 2002, defendant could transition from "a viable and relatively inexpensive" non-infringing alternative by changing the formulation of the inner cover layer, a feat that may be accomplished "in a matter of weeks" at a cost of $0.005-$0.006 per dozen. (D.I. 413, ex. P at ¶75 (expert report of William 0. Kerr)[31]) Defendant asserts that it will be severely harmed "by requiring it to modify its normal cycle of new product introductions and introduce a new version of the Pro V1® outside of its normal product cycle." (D.I. 434 at

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court stated that reasonable royalties awarded to plaintiff, which "include[d] an upfront entry fee that contemplates or is based upon future sales by [defendant] in a long term market" precludes a patentee's complaint that it will be irreparably harmed by future sales. *Id.* at 1380. No such royalty has been issued here; the issues of willfulness and damages were bifurcated from trial. The Federal Circuit's decision in *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293 (Fed. Cir. 2007), also cited by defendant, is equally inapposite, as that Court took issue with the district court's imposition of a royalty *sua sponte* after declining to issue an injunction.

[31] Plaintiff has provided only one page of this report, which is insufficient for the court to glean the full context of Dr. Kerr's statements. In its answering papers, defendant confirms that Dr. Kerr's testimony is accurate, but states that it is currently pursing a different redesign option. (D.I. 464 at 8) That defendant has chosen an alternate path does not affect the viability of this option.

37) Defendant suggests allowing it to infringe until the first quarter of 2009, when it plans to launch a new version of the Pro V1®. (*Id.* at 42) The court is not in the business of making defendants' infringements easier to unravel. *See Windsurfing Int'l Inc. v. AMF, Inc.*, 782 F.2d 995, 1003 n.12 (Fed. Cir. 1986) ("One who elects to build a business on a product found to infringe cannot be heard to complain if an injunction against continuing infringement destroys the business so elected."). The court notes that the infringing balls are not defendant's only golf ball products, and defendant's corporate parent, Fortune Brands, Inc., is a multi-billion dollar conglomerate.

Finally, with respect to the public interest, it is true that an injunction would disturb many golfers loyal to the Pro V1® brand, including professionals, who have about two months left on their 2008 contracts. Notwithstanding the inevitable disappointment to such golfers, removing the Pro V1® line of balls from commerce after 2008 does not implicate public health or safety concerns. There is no indication that other three-piece balls on the market could not fill the gap in demand. In short, there is insufficient evidence to counter the "strong public policy favoring the enforcement of patent rights" recognized by the courts. PPG Indus., Inc. v. Guardian Indus. Corp.,75 F.3d 1558, 1567 (Fed. Cir. 1998). The court adopts plaintiff's proposal allowing professional golfers to play the Pro V1® balls through the end of the 2008 calendar year.

4. Conclusion

For the aforementioned reasons, the court finds that plaintiff has made a sufficient showing on each of the four traditional factors. A permanent injunction shall issue by separate order.[32] The court will enjoin the production and sale of Pro V1® products commencing January 1, 2009.

D. Motion for a Stay of Injunction Pending Appeal

By separate motion, defendant seeks a stay of injunctive relief pending review by the Federal Circuit. Defendant's motion is procedurally necessary,[33] but unfounded. Defendant cites no authority supporting the proposition that a stay should issue by order of the district court. Defendant cites two cases in which the Federal Circuit, by motion in that Court, has elected to stay an injunction pending appeal. (D.I. 441 at 2, citing *Verizon Servs. Corp. v. Vonage Holdings Corp.*, 228 Fed. Appx. 986 (Fed. Cir. 2007); *Nichols Inst. Diagnostics, Inc. v. Scantibodies Clinical Lab., Inc.*, 166 Fed. Appx. 487 (Fed. Cir. 2006)) It should come as no surprise that the court declines defendant's

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[32] Defendant concurs with the language of the proposed injunction with exception to paragraphs 3 and 4, which require disposal of current inventory by retailers and notification to the industry by defendant. (D.I. 411-2) Paragraph 1 enjoins sales by retailers; how defendant effectuates the injunction and communicates such down its distribution chain is at defendant's discretion. The court issues an order consistent with paragraphs 1 and 2 of plaintiffs proposed order.

[33] Fed. R. App. P. 8(a)(1)(A) & (2)(A)(ii).

invitation to abandon its rulings to date, ignore the verdict of the jury, and find that an appeal "will likely succeed on the merits." (*Id.*) The court has failed to locate one instance in which a district court has issued a stay of its own order on such grounds. Defendant's motion (D.I. 440) is denied.

V. CONCLUSION

For the aforementioned reasons, defendant's motion for JMOL or, in the alternative, for a new trial (D.I. 409) is denied; plaintiff's motion for a permanent injunction (D.I. 411) is granted; and defendant's motion to stay the injunction pending appeal (D.I. 440) is denied. Appropriate orders shall issue.

APPENDIX E

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2009-1076

CALLAWAY GOLF COMPANY,

Plaintiff-Appellee,

v.

ACUSHNET COMPANY,

Defendant-Appellant.

Appeal from the United States District Court for the District of Delaware in case no. 06-CV-091, Judge Sue L. Robinson.

ORDER

NOTE: This order is nonprecedential.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellant, and the petition for rehearing, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on October 13, 2009.

Circuit Judge Moore did not participate in the vote.

FOR THE COURT

Jan Horbaly
Clerk

Dated: 10/06/2009

cc: Joseph P. Lavelle
Frank E. Scherkenbach

CALLAWAY GOLF V ACUSHNET COMPANY,
2009-1076
(DCT - 06/CV-091)

APPENDIX F

§ 103. Conditions for patentability; non-obvious subject matter

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the matter in which the invention was made.

* * * *

Supreme Court, U.S.
FILED
JAN 15 2010
OFFICE OF THE CLERK

No. 09-702

In the Supreme Court of the United States

ACUSHNET COMPANY,

Petitioner,

v.

CALLAWAY GOLF COMPANY,

Respondent.

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

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QUESTION PRESENTED

This Court has held that obviousness is a legal issue based on underlying factual findings. The petitioner here admits that since the 1980's the Federal Circuit has laid out the correct test for determining obviousness – specifically, reviewing underlying factual findings for substantial evidence, and reviewing the ultimate question of law *de novo*. The Federal Circuit explicitly followed that approach in this case, as it has in many other cases, including the cases Acushnet cites in its petition. Indeed, after conducting its analysis in this case, the Federal Circuit granted Acushnet a retrial on obviousness on legal grounds, even though a jury had previously rejected its obviousness defense for 8 out of 9 asserted claims. The only question presented in Acushnet's petition is whether this Court needs to "remind" the Federal Circuit of its own existing precedent. The answer, plainly, is no.

RULE 29.6 STATEMENT

No parent corporation or any publicly held company owns 10 percent or more of Respondents' stock

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STATUTE

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I. PRELIMINARY STATEMENT

In *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966), this Court stated that "the ultimate question of patent validity is one of law," but noted that an obviousness inquiry, "lends itself to several basic factual inquiries. Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined." *Id.*

The Federal Circuit has consistently and repeatedly followed *Graham's* holding that obviousness is a question of law based on underlying facts. In *Panduit Corp. v. Dennison Manufacturing Co.*, 810 F.2d 1561 (Fed. Cir. 1987), the Federal Circuit set forth in detail the basic framework for making an obviousness determination: reviewing factual findings for substantial evidence, and reviewing the ultimate legal conclusion de novo. *Id.* at 1565. Acushnet does not challenge this basic framework, established over 20 years ago. In this very case, and in the vast majority of its cases (including those cited in Acushnet's petition), the Federal Circuit *explicitly* recognized that while a jury's underlying factual findings are reviewed for substantial evidence, "the ultimate question of obviousness is a legal issue reviewed de novo." *Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331, 1339 (Fed. Cir. 2009); *see also Fresenius USA, Inc. v. Baxter Intern., Inc.*, 582 F.3d 1288, 1294 (Fed. Cir.

2009) ("As we have explained, '[t]his court reviews a jury's conclusions on obviousness, a question of law, without deference, and the underlying findings of fact, whether explicit or implicit within the verdict, for substantial evidence'") (internal citation omitted).

There is no evidence that the Federal Circuit needs to be "reminded" of this precedent, as Acushnet requests in its petition. Acushnet complains of the Federal Circuit's use of the phrase "substantial evidence" in the context of reviewing a jury's verdict on obviousness, but the very cases cited by Acushnet make clear that the Federal Circuit well understands the distinction between underlying factual findings and the ultimate legal conclusion of obviousness. *See, e.g., Cordis Corp. v. Boston Scientific Corp.*, 561 F.3d 1319, 1332 (Fed. Cir. 2009) ("We review '[the] jury's conclusions on obviousness, a question of law, without deference....'") (*quoting Johns Hopkins Univ. v. Datascope Corp.*, 543 F.3d 1342, 1345 (Fed. Cir. 2008)); *Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.*, 381 F.3d 1371, 1375-76 (Fed. Cir. 2004) ("the ultimate question of obviousness is reviewed for correctness in law, based on the factual premises"); *LNP Engineering Plastics, Inc. v. Miller Waste Mills, Inc.*, 275 F.3d 1347, 1353 (Fed. Cir. 2001) ("This court reviews a jury's conclusions on obviousness, a question of law, without deference...."); *Richardson v. Suzuki Motor Co., Ltd.*, 868 F.2d 1226, 1235 (Fed. Cir. 1989) (relying for standard of review on *DMI, Inc. v. Deere & Co.*, 802 F.2d 421, 425 (Fed. Cir. 1986), wherein court wrote that factual inquiries "precede a legal conclusion on obviousness under 35 U.S.C. § 103") (emphasis added)).

Indeed, just in the last month the Federal Circuit issued an opinion in *i4i LP v. Microsoft Corp.*, 2009 WL 4911950 (Fed. Cir. Dec. 14, 2009), slip. op., available at http://www.cafc.uscourts.gov/opinions/09-1504.pdf, which included a review of a jury's verdict of non-obviousness and stated, "[a]s always, our review of the ultimate legal question, whether the claimed invention would have been obvious, is *de novo*." Slip. op. at 14 (*citing Duro-Last, Inc. v. Custom Seal, Inc.*, 321 F.3d 1098, 1108 (Fed. Cir. 2003) (emphasis added)). The *i4i* court did not merely pay lip service to this standard, but went on to do exactly what Acushnet claims the Federal Circuit consistently fails to do – decide the ultimate legal question of obviousness, separate and apart from assessing the sufficiency of the evidence supporting any explicit or implied findings on the underlying factual *Graham* factors:

> In this case, Microsoft has waived its right to challenge the factual findings underlying the jury's implicit obviousness verdict because it did not file a pre-verdict JMOL on obviousness . . . . Accordingly, we do not consider whether the evidence presented at trial was legally sufficient to support the jury's verdict. Our review is limited to determining whether the district court's legal conclusion of nonobviousness was correct, based on the presumed factual findings. . . .

i4i, slip op. at 14-15 (emphases added).

"This Court reviews judgments, not statements in opinions." *Cal. v. Rooney*, 483 U.S. 307, 311 (1987). Here, the jury was properly instructed on the *Graham* factors and the general verdict form asked the jury to decide the ultimate question of whether or not the claimed inventions were obvious. After the jury reached its verdict, the district court and the Federal Circuit thereafter had to assume that the jury resolved all the underlying facts in favor of Callaway Golf on each of the claims whose validity was upheld. The district court and Federal Circuit reviewed those implicit factual findings – that golf ball design is an unpredictable art, and that the specific inventions here satisfied a long-felt need in the industry and revolutionized the game of golf almost overnight – and found each fact supported by substantial evidence. Having no facts to support a verdict of obviousness, the district court and the Federal Circuit reached the legal conclusion that 8 of the 9 asserted claims were not obvious, and that an inconsistent verdict on the 9th claim required a new trial on obviousness. Because there was no error in the standards applied by both the district court and the court of appeals, Acushnet's petition for a writ of certiorari should be denied.

II. FACTUAL BACKGROUND

A. The State of the Art in 1995

This case involves golf ball technology. In 1995, the golf ball market was dominated by mainly two types of balls. Most professional golfers played "wound" balls, which were filled with elastic windings wrapped around either a solid or liquid-

filled center. Wound balls existed since at least the 1930's. These balls provided superior spin and "feel," which allowed highly-skilled golfers to shape their shots and achieve better control around the greens. The most prevalent ball played on the PGA professional tour in 1995 was the Titlelist Professional, which was made by Acushnet and had a wound core with a polyurethane cover. [D.I. 424 at 279:5-13; 357:7-10.] The Wu patent, assigned to Acushnet and cited by Acushnet as prior art in this case, similarly disclosed a wound ball with a polyurethane cover. [*See* U.S. Patent 5,334,673.] At trial, witnesses testified that in 1995 Acushnet was primarily a "wound ball" company. [D.I. 427 at 864:5-18.]

While most professional golfers prized the spin and feel of a soft-covered wound ball, these characteristics were actually detrimental to the performance of many amateur golfers. Amateur golfers often have inconsistent swings – their club head may hit the ball with different angles and speeds with each swing, and a wound ball will actually accentuate the resulting slices and hooks, making the ball difficult to control. Consequently, amateur golfers typically favored a solid ball with a rubber core and a hard outer cover layer. One popular example was the Top-Flite brand of golf balls sold by Spalding Company. The Molitor '637 patent, cited by Acushnet as prior art, is an example of a patent that discloses a two-piece, solid-core golf ball. [*See* U.S. Patent 4,274,637.] Solid, two-piece balls were often advantageous in that they generally flew longer off the tee than wound balls, but they were difficult to spin and control, which is why

professional golfers still favored wound balls even though they generally could not hit them as far as the solid balls available on the market.[1]

The challenge facing golf ball designers in 1995, one they had been facing for many years, was to create a ball that combined the distance of a solid ball off the tee with the spin and feel of a wound ball around the green. Nothing in the prior art was capable of marrying these two performance characteristics. Other inventors tried and failed to produce this "holy grail" golf ball. The prior art provides many examples of inventors who mistakenly thought they had found the answer. Yet, no ball actually provided the long-sought unique combination of properties until the inventions of the patents in suit.

For example, the prior art Nesbitt patent, which Acushnet heavily relies upon in this case, issued in 1984 and disclosed a three-piece golf ball (sometimes called a "dual-cover layer" ball) with an ionomer outer cover and an ionomer inner cover. Similarly, the Proudfit prior art patent disclosed an example of three-piece golf ball with an ionomer inner cover and a synthetic rubber ("balata") outer cover. Despite brave claims in both patents to have found the answer, neither of these prior art balls

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[1] The Molitor '751 patent, also cited by Acushnet in its petition as prior art, disclosed a two-piece, solid golf ball that had a polyurethane cover. [*See* U.S. Patent 4,674,751.] Balls with that construction were actually shorter in distance than other two-piece balls with harder covers; also, the polyurethane cover had a tendency to turn yellow and had durability issues. [*See* U.S. Patent 4,884,814; D.I. 427 at 848:2-21].

actually provided the superior distance and control that professional and top amateur golfers demanded, and none of the prior art satisfied the long-felt need in the industry for a "holy grail" ball that combined the distance of a two-piece ball with the control and feel of a wound ball.

B. The Invention of the Patents in Suit

Inventor Michael Sullivan started working at Spalding Sports in 1979. He was originally hired as a technical assistant while an undergraduate in college, helping Spalding mix golf ball cores. [D.I. 427 at 820:8-13.] After he graduated in 1981, he was employed by Spalding's research & development department, investigating different materials for new products, primarily golf balls. [*Id.* at 821:12-25.] Prior art inventors Molitor and Nesbitt both worked in the R&D department at Spalding at that time, and Sullivan became familiar with their work. [*Id.* at 935:2-5.]

All the witnesses in this case, including the prior art witnesses and Acushnet's own golf ball engineers, agreed that golf ball design is an unpredictable art. [D.I. 424 at 511:23-512:25; 530:20-24; D.I. 426 at 660:1-5, D.I. 427 at 815:22-816:7; 941:15-944:21; D.I. 428 at 1022:15-18; 1128:25-1129:9; 1146:22-1147:7; 1115:11-19; .] Small changes in the attributes of a golf ball can yield surprising results, both positive and negative, and it is very difficult to know what a given ball will do before testing it. [*Id.*] Sullivan, like other golf ball designers, was aware of the prior art, and also was aware of the desire in the industry for a ball that

provided both distance and feel. [D.I. 427 at 838:12-839:3.] He began his own research in 1991 by setting out specifically to improve on the ball disclosed in the Nesbitt patent, so that he could produce a ball that combined the distance of a solid two-piece ball combined with the spin and feel of a wound ball. [*Id.* at 829:11-830:11.]

Contrary to Acushnet's representations in its petition, Mike Sullivan did not simply read Acushnet's Wu patent and apply the Wu polyurethane to existing multi-layered balls. As Sullivan testified, polyurethanes had been used to cover golf balls since at least 1968 – when Spalding, not Acushnet, first used it to cover solid balls. [D.I. 427 at 956:2-11.] The use of polyurethane *per se* was not what made his invention an improvement over the prior art. [*Id.* at 789:20-24.] The use of multiple layers in golf balls was also known – the patents-in-suit discuss the Nesbitt patent at length in the specification, and discuss existing multi-layer balls. Yet despite this knowledge and long-felt need, no inventor thought to combine a polyurethane cover with a multi-layer ball with the specific characteristics necessary to provide both the distance and control sought by golfers at the time.

Sullivan had to consider a wide variety of materials and compositions for both the inner and outer cover layers before settling on the specific formulation disclosed and claimed in his patents. [D.I. 427 at 834:9-14.] Once he found the specific formulation that provided the "holy grail" combination of distance and control, Spalding filed for a patent to protect his invention. The claims of

these patents describe a specific ball with specific properties, including an inner and outer cover layer with a specified hardness, a specified range of thicknesses, and a specific combination of low-acid ionomer resins containing a certain percentage of an alpha, beta-unsaturated carboxylic acid. Spalding and Sullivan also disclosed to the Patent & Trademark Office all of the prior art that they were aware of, including the prior art that Acushnet now relies on to attempt to invalidate the patents-in-suit.[2] Several of these prior art patents were expressly discussed at length in the specifications and prosecution histories of the patents-in-suit. In other words, the USPTO had all of the relevant art before it when it considered the patents-in-suit. The Patent Office determined that the inventions were new and non-obvious, and allowed the patents to issue.

C. The Development of the Market for Three-Piece, Polyurethane-Covered Balls

Sullivan filed the first application for the four patents in suit in 1995. At that time, however,

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[2] Acushnet claims that two of its "references" – the two prior art golf balls – were not before the Patent and Trademark Office ("PTO"). But the Proudfit patent, which was before the PTO, discloses a three-piece ball with a balata cover, which Acushnet equates to the Wilson Ultra Tour Balata ball. Similarly, the Wu patent, which was before the PTO, describes a wound ball with a polyurethane cover that Acushnet equates to the Titleist Professional ball. In other words, all of the relevant art was known to the Patent Office at the time it considered and allowed the Sullivan patents.

Spalding was not in a position to capitalize on his new idea. According to former Spalding executive Thomas Kennedy, Spalding was in poor financial health, and was sold in 1996 to a "corporate raider" that placed a "tremendous amount of debt on the company." [D.I. 427 at 945:16-22.] Spalding turned to Callaway Golf to acquire the assets of Spalding's golf business, and Callaway Golf ultimately acquired Spalding's golf assets, including the patents-in-suit, through a bankruptcy sale in 2003.

Both Callaway Golf and Acushnet eventually made golf balls using an ionomer intermediate layer surrounded by a relatively soft polyurethane cover, although neither was as early as Mike Sullivan, and both companies undertook massive efforts to develop those golf balls. Callaway Golf started the development of its "Rule 35" golf ball in 1997 and, after employing dozens of scientists and technicians, working for years, and testing several thousand prototypes encompassing over a dozen different constructions, Callaway Golf finally released a ball for sale in January 2000. [D.I. 428 at 1026:12-1046:24.]

Acushnet similarly worked on its own "Veneer" golf ball starting in late 1995 and 1996, looking at various different designs for new golf balls and testing various prototypes. [D.I. 424 at 362:7-12.] The "Veneer" ball ultimately became the accused ProV1, which Acushnet conceded on the eve of trial infringed the Sullivan patents. [D.I. 367.] Thus, collectively, Callaway Golf and Acushnet spent years and millions of dollars in an effort to invent a

golf ball that Sullivan had already invented and sought a patent for years earlier.[3]

Importantly, Acushnet's own engineers thought that the ProV1 was new and novel at the time it was released in 2000, long after Sullivan's work. Acushnet Senior Executive Vice President, Chief of Research and Development, and chief golf ball designer Bill Morgan testified that he had never heard of anyone making a solid, multi-layer ball with a thin cast polyurethane cover, and that Acushnet's new "Veneer" ball was different from the prior art. [D.I. 424 at 392:13-20; 394:15-24; 438:9-22.] Acushnet golf ball designer Ed Hebert, chief architect of the Veneer ball, felt the same way, and described his "surprise" at the exceptional performance of this new ball. [D.I. 428 at 1102:16-1103:13.]

Indeed, Acushnet felt that the "Veneer" ball (later called the "ProV1") was so novel that in 1997,

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[3] Contrary to Acushnet's assertion, there is no evidence that these balls were invented at the same time as the Sullivan invention. *Cf. Hybritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1380 n.4 (Fed. Cir. 1986) (holding "irrelevant" alleged evidence of simultaneous invention occurring after the date of invention, and stating that "simultaneous development may or may not be indicative of obviousness").

Acushnet also references development of Nike and Bridgestone golf balls, suggesting that they provide two more examples of simultaneous invention, but the Nike and Bridgestone golf balls were actually made by the same company, and the trial record contains no evidence as to whether either of those golf balls is covered by the claims of the patents-in-suit, or exactly when they were conceived.

two years after Sullivan applied for a patent on his invention, it filed for its own patents on a three-piece ball with a polyurethane outer cover – and actually received a family of patents in the name of Mr. Hebert and Mr. Morgan having claims that directly overlap with the Sullivan patents-in-suit. [*See* U.S. Patents 5,885,172 and 6,132,324.] Acushnet thus regarded the infringing ball as new and novel in 1997, even though Acushnet's own patents identify the same prior art on their face that Acushnet now says renders the Sullivan patents obvious.

After these new golf balls hit the market in 2000, the golf world was transformed almost overnight. Even though wound balls had dominated the premium market for 65 years, and Acushnet had a dominant market share for premium wound balls, players immediately began replacing their old, wound balls with the new multi-layer, polyurethane covered balls. Internal Acushnet documents note that this "immediate paradigm shift from wound urethane to solid urethane technology" was unprecedented. [PTX722, 723, 1195, 1201.] Forty-seven professionals – more than half of the players under contract with Titlelist – put the infringing ProV1 into play at the very first tournament that it was available. [D.I. 423 at 131:8-11; D.I. 367 (infringement stipulation); PX 722 at AC0089552.] Acushnet witnesses testified that the ProV1 became the most-preferred and most-played ball by tour professionals, and that within two years of its release Acushnet had stopped making wound balls entirely, essentially throwing away a wound ball franchise it had built up over half a century. [D.I. 424 at 272:24-273:4; 307:9-308:6;310:5-15.]

Acushnet's witnesses and its own attorneys repeatedly emphasized the success of the ProV1.[4] Witnesses testified that the performance of these new balls – their ability to combine both distance and feel – were the reason behind their remarkable success. [D.I. 424 at 434:7-20.] Acushnet's own CEO was quoted as saying that the ProV1 "saved this company," and that without it Acushnet was facing "potential technological obsolescence." [PX723; 1174.] The evidence presented at trial demonstrated that the superior performance of the ProV1 was directly attributable to the Sullivan invention.

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[4] Acushnet complains that "Callaway's strategy [at trial] was to equate Acushnet's ProV1 balls to the claimed invention." Yet the ProV1 golf balls admittedly embody the invention because Acushnet stipulated that its ProV1 golf balls infringed. Evidence of the commercial success of the ProV1 balls was relevant to show that the invention, as embodied in those balls, met a long-felt need in the industry, received praise from others, and achieved commercial success. *Graham*, 383 U.S. at 17-18. Acushnet also complains that "the asserted claims...contain no limitations to any unique, unexpected, or critical performance criteria." But the test for non-obviousness has nothing to do with what the claims say about commercial success – rather, secondary considerations of non-obviousness look to common sense, real-world facts that assist in the obviousness determination. *See Preemption Devices, Inc. v. Minnesota Min. and Mfg. Co.*, 732 F.2d 903, 907-08 (Fed. Cir. 1984) (Rich, J.) ("As for putting advantages or 'sales pitch features' in claims, counsel should know that they do not properly belong in claims, the sole function of which is to point out distinctly the process, machine, manufacture, or composition of matter which is patented, 35 U.S.C. § 101, 112, not its advantages. It is entirely proper, nevertheless, in evaluating nonobviousness, for a court to take into account advantages directly flowing from the invention patented").

D. Procedural History

Callaway filed this suit on February 9, 2006. On December 3, 2007, on the eve of trial, Acushnet stipulated that its ProV1 balls infringed the asserted claims of the Sullivan patents. [D.I. 367.] The district court had previously bifurcated liability from damages, and the parties thereafter tried only the issue of obviousness to a jury starting on December 3, 2007. The parties disputed several factual issues underlying obviousness, including the content of the prior art, the differences between the invention and the prior art, and the impact of several secondary considerations of non-obviousness. A general verdict form asked the jury whether or not the asserted claims were obvious.

On December 14, 2007, the jury returned a verdict that all claims were not obvious except dependent claim 5 of the '293 patent. [App. at 71a-72a.] In ruling on Acushnet's JMOL motion, the district court found support for the jury's implicit factual findings that the prior art did not disclose the specific Shore D hardness and inner cover layer compositions required by the asserted claims, that there was insufficient evidence of a motivation to combine the prior art, and that the unpredictability of the golf ball field coupled with several secondary considerations demonstrated the non-obviousness of the claimed invention. [App. at 40a-44a.] The district court declined to set aside the jury's verdict that the patents-in-suit were not obvious.

The Federal Circuit affirmed-in-part, reversed-in-part, vacated-in-part, and remanded for

a new trial on obviousness. *See Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331 (Fed. Cir. 2009). The Federal Circuit affirmed with respect to the Court's constructions of the disputed claim terms, an issue of law it reviewed *de novo*. *Id.* at 1337-38.[5] The Federal Circuit also agreed with the district court that the implicit factual findings of the jury on obviousness were supported by substantial evidence. *Id.* at 1339-41. Importantly, the Federal Circuit *explicitly* recognized that while the jury's underlying factual findings were reviewed for substantial evidence, "the ultimate question of obviousness is *a legal issue reviewed de novo*." *Id.* at 1339 (emphasis added). The Federal Circuit reviewed the record and ultimately agreed with Acushnet that as a matter of law the jury verdict finding dependent claim 5 invalid (and simultaneously finding independent claim 4 valid) was irreconcilable and required a new trial on obviousness. *Id.* at 1343-45. The Federal Circuit also vacated the district court's summary judgment of no anticipation and remanded for a new trial on anticipation. *Id.* at 1345-48. The district court subsequently scheduled a retrial for March 22, 2010 to include anticipation, obviousness and damages.

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[5] The Federal Circuit also upheld the district court on two evidentiary rulings challenged by Acushnet. *Id.* at 1341-43.

III. ARGUMENT

A. The Federal Circuit's Remand Makes This Case A Poor Vehicle For Supreme Court Review

Without even reaching the merits of Acushnet's petition, the procedural posture of this case makes it a poor vehicle for Supreme Court review. As discussed below, Acushnet's complaint is not that the Federal Circuit lacks a proper legal framework for considering obviousness, but rather that the district court and the Federal Circuit allegedly failed to follow that framework in this case. Yet this case has already been remanded to the district court by the Federal Circuit for a new trial on both anticipation and obviousness. Acushnet will have ample opportunity on remand to ask the district court and the Federal Circuit to undertake an even more detailed legal analysis. It makes little sense for this Court to intervene now, where the obviousness decision allegedly at issue has already been vacated and remanded by the court of appeals. Indeed, this Court recently rejected a petition for a writ of certiorari in another case that raised the exact same complaint now made by Acushnet's petition. *See Medela AG v. Kinetic Concepts, Inc.*, Supreme Court Docket No. 09-198, filed August 13, 2009, cert. denied November 16, 2009. In the mere weeks since then, nothing has changed that would warrant this Court's review, and the procedural posture of this case makes it a far less attractive candidate for review than *Medela*.

B. Acushnet Admits That Federal Circuit Precedent Sets Forth The Proper Test for Determining Obviousness

In *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966), this Court said that "the ultimate question of patent validity is one of law," but noted that an obviousness inquiry, "lends itself to several basic factual inquiries. Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined." *Id.*

The Federal Circuit has consistently and repeatedly followed *Graham's* holding that obviousness is a question of law based on underlying facts. In *Panduit Corp. v. Dennison Manufacturing Co.*, 810 F.2d 1561 (Fed. Cir. 1987), the Federal Circuit set forth in detail the basic framework for making an obviousness determination. The Federal Circuit began by noting that, "[o]n review of a judgment based on a conclusion of obviousness under 35 U.S.C. § 103, this court must consider not only whether there is legal error, but also whether the underlying findings are either nonprobative, or clearly erroneous, or both." *Id.* at 1565. If a district court does not make factual findings necessary to resolve the obviousness issue, an appellate court should vacate and remand to allow the district court to make those fact findings. *Id.* If unassailable findings of fact were made but those facts could not

support the legal judgment of obviousness, or if the determination of the factual issues was clearly erroneous, an appellate court should vacate or reverse. *Id.* In making this decision, a court should always remember that it is not the patentee's burden to prove a patent is valid: "[w]hen the burden has not been carried, a court need only so state. ... The statute makes a patent presumptively valid when issued and imposes the burden of establishing invalidity on the challenger." *Id.* at 1570.

C. There is No Evidence That The Federal Circuit Has Deviated From Its or This Court's Precedent on Obviousness

In its petition, Acushnet seems to admit that *Panduit* sets forth the proper test for determining obviousness in light of this Court's holding in *Graham*. Acushnet's only assignment of error is that the Federal Circuit allegedly needs a "reminder" to follow its own precedent. Yet in this very case, and in the vast majority of its cases (including those cited in Acushnet's petition), the Federal Circuit *explicitly* recognized that while a jury's underlying factual findings are reviewed for substantial evidence, "the ultimate question of obviousness is a legal issue reviewed de novo." *Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331, 1339 (Fed. Cir. 2009); *see also Fresenius USA, Inc. v. Baxter Intern., Inc.*, 582 F.3d 1288, 1294 (Fed. Cir. 2009) ("As we have explained, '[t]his court reviews a jury's conclusions on obviousness, a question of law, without deference, and the underlying findings of fact, whether explicit

or implicit within the verdict, for substantial evidence'") (internal citation omitted).

Acushnet complains of the Federal Circuit's use of the phrase "substantial evidence" in the context of reviewing a jury's verdict on obviousness, but the very cases cited by Acushnet make clear that the Federal Circuit well understands the distinction between underlying factual findings and the ultimate legal conclusion of obviousness. *See, e.g., Cordis Corp. v. Boston Scientific Corp.*, 561 F.3d 1319, 1332 (Fed. Cir. 2009) ("We review '[the] jury's conclusions on obviousness, a question of law, without deference....'") (*quoting Johns Hopkins Univ. v. Datascope Corp.*, 543 F.3d 1342, 1345 (Fed. Cir. 2008)); *Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.*, 381 F.3d 1371, 1375-76 (Fed. Cir. 2004) ("the ultimate question of obviousness is reviewed for correctness in law, based on the factual premises"); *LNP Engineering Plastics, Inc. v. Miller Waste Mills, Inc.*, 275 F.3d 1347, 1353 (Fed. Cir. 2001) ("This court reviews a jury's conclusions on obviousness, a question of law, without deference...."); *Richardson v. Suzuki Motor Co., Ltd.*, 868 F.2d 1226, 1235 (Fed. Cir. 1989) (relying for standard of review on *DMI, Inc. v. Deere & Co.*, 802 F.2d 421, 425 (Fed. Cir. 1986), wherein court wrote that factual inquiries "precede a legal conclusion on obviousness under 35 U.S.C. § 103") (emphasis added)).

Indeed, just in the last month the Federal Circuit issued an opinion in *i4i LP v. Microsoft Corp.*, Case. No. 2009-1504 (Fed. Cir. Dec. 14, 2009), available at http://www.cafc.uscourts.gov/opinions/09-1504.pdf, which included a review of a

jury's verdict of non-obviousness and stated, "[a]s always, our review of the ultimate legal question, whether the claimed invention would have been obvious, is *de novo*." Slip. op. at 14 (*citing Duro-Last, Inc. v. Custom Seal, Inc.*, 321 F.3d 1098, 1108 (Fed. Cir. 2003) (emphasis added)). The *i4i* court did not merely pay lip service to this standard, but went on to do exactly what Acushnet claims the Federal Circuit consistently fails to do – decide the ultimate legal question of obviousness, separate and apart from the underlying factual *Graham* factors:

> In this case, Microsoft has waived its right to challenge the factual findings underlying the jury's implicit obviousness verdict because it did not file a pre-verdict JMOL on obviousness . . . . Accordingly, we do not consider whether the evidence presented at trial was legally sufficient to support the jury's verdict. Our review is limited to determining whether the district court's legal conclusion of nonobviousness was correct, based on the presumed factual findings. . . .

i4i, slip op. at 14-15 (emphases added).

In light of the Federal Circuit's clear and consistent articulation of the correct standard for reviewing jury verdicts of obviousness, Acushnet's complaint boils down to semantics. It will very often be the case that after considering the underlying *Graham* factors, there will be little need for further explanation as to why an invention is obvious or non-obvious – in other words, if the prior art simply does not teach certain limitations, or if the prior art

teaches away from making certain combinations, or if secondary considerations strongly demonstrate the non-obviousness of an invention, a reviewing court's primary role may be to ensure that those factual findings are supported by substantial evidence before completing its assessment of the ultimate legal conclusion of non-obviousness. No extensive and detailed explanation or legal analysis may be warranted where, as here, the underlying facts all point towards the non-obviousness of the claimed invention. Other cases, perhaps where the findings on the *Graham* factors point in different or conflicting directions, may require additional explanation and assessment, for example to reconcile competing or inconsistent facts.[6]

Acushnet can point to no *Graham* factor finding here that could even allegedly support a determination of obviousness. Both courts below analyzed the *Graham* factors in detail to make sure that the jury's fact findings were supported by substantial evidence, and both affirmed those findings. Without *any* fact findings supporting obviousness, there was no need here for a lengthy legal analysis to address Acushnet's failure to carry its clear and convincing burden of showing that the claims were invalid over prior art cited on the very face of the patents. "This Court reviews judgments,

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[6] The Federal Circuit has conducted such an analysis, for example, in overturning verdicts of non-obviousness. *See, e.g., Boston Sci. Scimed, Inc. v. Cordis Corp.*, 554 F.3d 982 (Fed. Cir. 2009); *Agrizap, Inc. v. Woodstream Corp.*, 520 F.3d 1337 (Fed. Cir. 2008); *PharmaStem Therapeutics, Inc. v. ViaCell, Inc.*, 491 F.3d 1342 (Fed. Cir. 2007).

not statements in opinions." *Cal. v. Rooney*, 483 U.S. 307, 311 (1987). There was no error in the judgments below, and there is no need for this Court to remind the Federal Circuit of a legal standard that it followed in this very case.

IV. CONCLUSION

There is ample support for the jury's conclusion that the patents-in-suit are not obvious. The district court and the Federal Circuit applied the proper standard in reviewing that decision, holding that the jury's implicit factual findings were supported by substantial evidence, and reaching the ultimate legal conclusion of non-obviousness. Acushnet's complaint boils down to disappointment that the trial and appellate court did not spend more time explaining in further detail why Acushnet failed to meet its burden of proof. There is no legal error for this Court to correct, no split among the circuits, and no need for this Court to "remind" the Federal Circuit of its own precedent, which it clearly followed in this and other cases cited by Acushnet. Acushnet's petition for a writ of certiorari should be denied.

Respectfully submitted.

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In the Supreme Court of the United States

ACUSHNET COMPANY,
Petitioner,

v.

CALLAWAY GOLF COMPANY,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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ARGUMENT

This case is a clear example of the Federal Circuit's practice of affirming a jury verdict on the ultimate legal issue of obviousness under 35 U.S.C. § 103 merely by affirming one or more implicit factual findings that the jury was presumed to have made. This approach abdicates the court's duty to decide patent validity as a matter of law, as required by *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966), and *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007). Until that flawed methodology is reviewed and corrected, this Court's standards resolving the ultimate question of obviousness will remain unfulfilled.

Callaway's opposition is most telling for what it does not say. Callaway cannot refute the Federal Circuit's admission in *Kemin Foods, L.C. v. Pigmentos Vegetales Del Centro S.A.*, 464 F.3d 1339, 1344 n.2 (Fed. Cir. 2006), that its decisions "[apply] the substantial evidence standard to general verdicts on obviousness." Petition, at 25. As explained at Petition 28-32, a jury's ultimate § 103 determination should not be given such deference, and is actually entitled to no deference at all. Instead, the "substantial evidence" standard should apply only when reviewing the factual findings implicit in the jury's verdict, not to the verdict itself. On that point as well, Callaway offered no response.

Callaway also did not dispute that Federal Circuit decisions routinely allow one or more implicit factual findings by the jury to be dispositive of the ultimate legal issue. See Petition, at 24-28 (citing

Kinetic Concepts, Inc. v. Blue Sky Med. Group, Inc., 554 F.3d 1010 (Fed. Cir. 2009) (affirming a nonobviousness judgment upon upholding an implicit jury finding that the prior art did not disclose one disputed claim limitation); *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288 (Fed. Cir. 2009) (affirming denial of JMOL on five sets of disputed claims upon upholding implicit jury findings that a single claim element in each set was in the prior art)). In such cases, like this one, the Federal Circuit never independently decided the ultimate legal question of validity under all the facts as established by the affirmed findings and by the undisputed facts not resolved by the jury.

Callaway cites the above cases only for their general standard of review recited in virtually every Federal Circuit opinion involving obviousness. See Resp. Br. 2-3, 18-19 (and cases cited). Callaway suggests that as long as the Federal Circuit mechanically recites that standard, it does not matter what the Federal Circuit actually does when supposedly applying it. That cannot be correct. *Cf. Wellons v. Hall*, 558 U.S. ___, No. 09-5731, 2010 WL 154825, at *2 n.3 (2010) (noting it was not dispositive that the court of appeals' opinion began with a statement of the standard of review that was not followed). The Federal Circuit's flawed methodology cannot be excused merely because its opinions initially recite the applicable standard before completely deviating from it.

The need for a judicial review methodology for § 103 verdicts that correctly applies this Court's requirements in *Graham* is not merely a matter of

semantics. The Federal Circuit's truncated approach ignores the distinct steps of reviewing each implicit jury factual finding and then independently deciding the ultimate legal conclusion based on the undisputed facts and the findings supported by substantial evidence. This Court's guidance is needed not to address what the Federal Circuit is describing as its methodology for resolving obviousness, but to correct what that court is doing (and allowing district courts to do) by letting general jury verdicts to control the legal determination of obviousness under § 103, thus abdicating the judicial role required under *Graham*

I. THE FEDERAL CIRCUIT'S FLAWED METHODOLOGY FOR REVIEWING JURY § 103 VERDICTS WARRANTS THIS COURT'S IMMEDIATE REVIEW

As in *Kinetics Concepts* and *Fersenius*, the Federal Circuit's opinion in this case addressed only one implicit jury finding concerning a single difference with the prior art.[1] App. 16a-20a. Upon

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[1] The Federal Circuit reviewed only whether substantial evidence supported finding that a polyurethane cover with a hardness below Shore D 64 was not shown in the prior art. App. 16a-20a. Contrary to Resp. Br. 4 & 21, the Federal Circuit did not review the evidentiary support for or legal significance of any other implicit jury finding challenged by Acushnet regarding unpredictability, long-felt need, and commercial success. Moreover, the Federal Circuit never independently addressed whether the alleged secondary considerations, particularly the commercial success of Acushnet's own Pro V1 ball, warranted any "legal inference" of nonobviousness under *Graham* in the absence of a legitimate nexus to the claimed invention. See Petition, 37-38.

holding that a reasonable jury could have found such a difference, the Federal Circuit's JMOL analysis simply stopped. That review methodology fails on two levels.

First, the Federal Circuit did not review the jury's implicit findings on all of the disputed underlying factual issues, but instead affirmed the judgment merely because one finding could have been reasonably reached (and the Federal Circuit clearly labored mightily just to affirm that one finding). Second, the Federal Circuit made no attempt to draw its own independent legal conclusion from the supported findings and the undisputed facts. On its face, that is not even what its own articulated standard of review requires.

Callaway's only other attempt to justify the Federal Circuit's review methodology was to cite its recent decision in *i4i Limited Partnership v. Microsoft Corp.*, 589 F.3d 1246 (Fed. Cir. 2009), as allegedly using the correct approach for reviewing § 103 jury verdicts. See Resp. Br. 3-4, 19-20. However, the *i4i* opinion suffers from the exact same analytical infirmities.

According to Callaway, the Federal Circuit in *i4i* "did exactly what Acushnet claims the Federal Circuit consistently fails to do—decide the ultimate legal question of obviousness, separate and apart from assessing the sufficiency of the evidence supporting any explicit or implicit findings on the underlying factual *Graham* factors." Resp. Br. 3. As alleged support, Callaway twice quotes the following passage from the *i4i* opinion:

> In this case, Microsoft has waived its right to challenge the factual findings underlying the jury's implicit obviousness verdict because it did not file a pre-verdict JMOL on obviousness. ... *Accordingly, we do not consider whether the evidence presented at trial was legally sufficient to support the jury's verdict.* Our review is limited to determining whether the district court's legal conclusion of nonobviousness was correct, based on the presumed factual findings.

Resp. Br. 3, 20 (quoting *i4i*, 589 F.3d at 1261) (emphasis added by Acushnet). Yet, as the sentence emphasized above confirms, the Federal Circuit again confused the factual and legal aspects of the jury's § 103 verdicts. Despite Microsoft's waiver, the Federal Circuit should not have foreclosed itself from reviewing the jury's ultimate legal conclusion. See Petition, at 30-32. That, however, is what the Federal Circuit did.

Any waiver arising from a party's failure to file a pre-verdict JMOL forecloses an appellate challenge only to whether the evidence was legally sufficient to support the jury's factual findings on the disputed underlying factors (e.g., level of skill, scope and content of the prior art, differences with the prior art, etc.). However, such waiver does not extend to the ultimate legal question of obviousness. As held in *Graham*, 383 U.S. at 17-18, "the ultimate question of patent validity is one of law." A jury makes factual findings based on the evidence, but the legal conclusion then must be drawn from the findings. Once a jury's findings are reviewed for

substantial evidence, the court renders its own legal conclusion based on the accepted findings and the undisputed facts. Even if review of the jury's findings is waived, the legal conclusion must still be separately and independently drawn by the court.

Rather than making its own validity conclusion based on the jury's findings, the Federal Circuit in *i4i* merely stated that the scope of the prior art and a motivation to combine were disputed factual questions, and held that the jury's verdict meant that the jury found differences with the prior art and that one of ordinary skill would not have been motivated to combine the cited references. 589 F.3d at 1261. Without more, the Federal Circuit then declared that "[i]n light of the jury's implicit factual findings, Microsoft has not established that the asserted claims would have been obvious." *Id.* at 1262. Just as in this case, the Federal Circuit in *i4i* treated the jury's factual findings as being dispositive of the legal issue.

Because the Federal Circuit never did its own legal analysis, the *i4i* opinion is no different than the other Federal Circuit decisions cited by Acushnet. It uses the same truncated review methodology that allowed the jury's factual findings to be dispositive of the ultimate legal conclusion in *Kinetic Concepts*, *Fresenius*, and this case. Not surprisingly, the Federal Circuit's *i4i* decision repeatedly cites its prior *Kinetic Concepts* opinion. 589 F.3d at 1261; see Petition, at 26. Rather than indicating that the Federal Circuit sometimes does it right, the *i4i* decision confirms that the Federal Circuit is still reviewing § 103 verdicts incorrectly.

II. THIS CASE IS AN EXCELLENT VEHICLE FOR EXAMINING THE FEDERAL CIRCUIT'S REVIEW METHODOLOGY FOR § 103 VERDICTS

Callaway predictably asserts that this case is not an appropriate vehicle for this Court's review. Resp. Br. 16. None of Callaway's reasons should dissuade this Court's review of this case at this time.

First, as shown, the Federal Circuit's flawed review methodology is not unique to this case, but has been repeatedly applied in numerous cases in that court and by the district courts subject to its precedent. Because that methodology affects every patent case involving § 103 that is tried to a jury, Acushnet's petition is not a case-specific complaint, but one with broad significance and importance to virtually all litigated patent jury cases.

Second, the fact that this case has been remanded for a new trial should not prevent this Court's immediate review. Acushnet's challenge is to the Federal Circuit's flawed methodology for reviewing jury § 103 verdicts. Acushnet's petition squarely presents that issue. Indeed, this case was remanded only because the district court's and the Federal Circuit's unduly deferential and abbreviated review caused them to err in not granting JMOL for Acushnet, which would have reconciled the inconsistent verdicts without a new trial.

Because the review methodology directly led to those JMOL denials, the procedural posture here is no different than if the Federal Circuit had affirmed

the denial of JMOL without a remand. Moreover, this Court's review will provide much needed guidance for all future patent cases, not just this one. As explained at Petition 38, the same issues will arise after the retrial, regardless of which party prevails.

The district court improperly applied the "substantial evidence" standard of review following the original trial. See Petition 16-18; App. 56a-69a. Given that its prior JMOL analysis was affirmed, Callaway's suggestion (Resp. Br. 16) that the district court would be willing to alter that approach on remand seems most unlikely. Moreover, until this Court reviews the Federal Circuit's methodology, numerous other patent cases will surely be incorrectly reviewed because there is also no reason to believe that the Federal Circuit will revise its methodology on its own.

Third, this case provides a clear context in which to address the Federal Circuit's § 103 review methodology. Here, the patents-in-suit are related and the asserted claims were held to be patentably indistinct. App. 26a-28a. Compared to many patent cases, this golf ball technology is understandable, making it easier to focus on the legal issues presented. Moreover, the issues presented are case dispositive in that a grant of JMOL of invalidity for Acushnet under the proper review methodology would end this litigation.

Most importantly, only the Federal Circuit's review methodology is being challenged by Acushnet's petition. That has not been true for other

recent Federal Circuit obviousness decisions. No petition to this Court on obviousness is likely forthcoming in *Fresenius* because the patentee's injunction was upheld on other claims, and only the defendant sought rehearing. Faced with a $290 million judgment, Microsoft's petition for rehearing in the *i4i* case raised only damages, willfulness and injunction issues, and any future petition to this Court will surely not be limited to obviousness.[2] Thus, this case will provide this Court with the clearest record for reviewing this issue.

While Callaway argues that the recently-denied petition in *Medela AG v. Kinetic Concepts, Inc.*, No. 09-198 (denied Nov. 16, 2009), raised "the exact same complaint" (Resp. Br. 16), that assertion is demonstrably incorrect. Although the "problem" in *Kinetic Concepts* was the same (i.e., affirming a jury's § 103 verdict merely upon upholding one implicit finding of a difference with the prior art), Acushnet's explanation for the problem and its proposed solution are very different.

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[2] In *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009), a different Microsoft petition for rehearing is pending in the Federal Circuit challenging a nonobviousness affirmance based on this Court's observation in *KSR* that the presumption of validity seems "much diminished" where prior art not considered by the PTO is advanced during litigation. See 550 U.S. at 426. However, that question is subsidiary to the broader issues presented here because it only implicates the burden for proving the underlying factual issues concerning such "new" art, not whether a court must review all the implicit findings and then draw its own ultimate legal conclusion from all the established facts.

The petition in No. 09-198 sought to eliminate juries from deciding obviousness issues entirely, an extreme position that both implicated the Seventh Amendment and one that likely had not been preserved. Here, Acushnet's position is not that juries should be barred from deciding obviousness (at least, the disputed factual issues) but that the Federal Circuit is not reviewing the factual and legal components of the resulting § 103 jury verdicts correctly. That is not the same question presented by the petition in *Kinetic Concepts*, and does not implicate either the Seventh Amendment or any issue of waiver.

Given that Acushnet's petition closely followed in time the petition in *Kinetic Concepts*, and that this case was closely followed by the similarly-flawed § 103 analyses in *Fresenius* and *i4i*, this Court should discern that these issues are widespread, increasingly occurring, and not likely to be resolved without this Court's review. Consistent with *Graham* and *KSR*, this Court should grant this petition to ensure that the ultimate determination of patent validity remains a legal issue that is correctly and independently decided by the courts.

Perhaps seeking any way to forestall this case from being used to address the indisputable errors in the Federal Circuit's review methodology, Callaway asserts that there were no findings on the *Graham* factors to support a determination of obviousness. Resp. Br. 21. That assertion is meaningless where a jury has returned only a general § 103 verdict because, without any jury interrogatories, the jury's underlying (and implicit) factual findings are

presumed as consistent with the verdict. Here, most of the *Graham* factors, including level of skill and the scope and the closeness of the prior art, were not even disputed at trial.

Even accepting the one difference with the prior art found by the jury, the relevant legal question was whether it would have been obvious to use a polyurethane cover of the specified hardness on well-known prior art three-piece balls *after* a 1994 patent to Wu disclosed a new soft, castable polyurethane material specifically for golf ball covers. Callaway cannot dispute that the inventor amended his applications in 1995 to disclose thin polyurethane covers after Wu's patent issued. Callaway cannot dispute that multiple ball manufacturers began trying such thin polyurethane covers over existing ball designs. Even now, Callaway relies on the "thin, cast polyurethane cover" for patentability. Resp. Br. 11. Callaway's problem is its claims cover any polyurethane cover, not just the thin polyurethane covers enabled by Wu's prior art patent.

Callaway argues that the patents-in-suit describe a specific ball with specific properties (Resp. Br. 9) but the claims are much broader. Actually, the patents-in-suit claim nearly all conceivable combinations of polyurethane cover thicknesses, inner cover thicknesses, and any kind of core—without teaching which of those countless combinations would work. On the other hand, Callaway also argues that the claims did not need to recite any unique, unexpected, or critical performance criteria. See Resp. Br. 13 n.4. If the

asserted claims had included such limitations, those claims would not have been enabled. By omitting such limitations (because the inventor never discovered how to achieve them), the claims cover nothing more than a predictable and "obvious to try" combination of prior art polyurethane and well-known three-piece ball designs. See *KSR*, 550 U.S. at 421.

This case illustrates the dangers of courts according too much deference to a jury's resolution of the fundamental legal issue of invalidity. Overbroad patent claims are routinely asserted in patent cases, but juries do not know that. Because Acushnet's accused Pro V1 balls fell within the overbroad scope of Callaway's asserted claims, Acushnet was left to defend on grounds of invalidity. At trial, Callaway used the PTO's issuance of the patents and Acushnet's concession of infringement to mislead the jury into accepting that the asserted claims covered only the particular configuration of Acushnet's accused Pro V1 ball rather every possible golf ball configuration having any polyurethane outer cover as recited in the claims.

That is why the ultimate question of patent invalidity is and must remain a matter to be decided by the court, even in jury cases. By granting this petition, this Court can ensure that its legal standards for resolving obviousness are properly applied while providing overdue guidance to the Federal Circuit, the district courts, and all patent litigants applicable to all future jury trials involving invalidity disputes under § 103.

CONCLUSION

The petition for writ of certiorari should be granted.

Respectfully submitted.

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